

A STUDY OF RETAIL TRADE IN CITIES ACROSS KANSAS

AN ANNUAL REPORT OF TRADE PULL FACTORS AND TRADE AREA CAPTURES

**Annual report for Fiscal Year 2015
(July 2014 through June 2015)**

**Kansas Department of Revenue
Office of Policy and Research
Issued January 2016**

INTRODUCTION

The City Trade Pull Factor report provides different measures of retail market data for selected cities. This report is the 25th annual report documenting city retail activity in Kansas' communities.

As published by Kansas State University the pull factor study reported on the first class cities of Kansas. The department expanded the report to include four groups of cities that many would consider to be regional centers for their communities. The cities are illustrated on Map 1. In addition to 1st class cities, the report also provides analysis for three other groups of cities that are not 1st class cities:

- cities with a population exceeding 10,000;
- cities generating 75% or more of their county's state sales tax collections; and
- cities generating 65-75% of the county's state sales tax collections.

The City Trade Pull Factor report provides different measures of retail market data for the cities for fiscal year 2015, which represents the period July 1, 2014 through June 30, 2015. Retail market data is presented three ways.

- The first measure is a location quotient of retail trade called the *City Trade Pull Factor* (CiTPF). It is a measure of the relative strength of the retail business community. The City Trade Pull Factor is computed by dividing the per capita sales tax of a city by the statewide per capita sales tax. A CiTPF of 1.00 is a perfect balance of trade. The purchases of city residents who shop elsewhere are offset by the purchases of out-of-city customers. CiTPF values greater than 1.00 indicates that local businesses are pulling in trade from beyond their home city border. Thus, the balance of trade is favorable. A CiTPF value less than 1.00 indicates more trade is being lost than pulled in, that residents are shopping outside the city. This is an unfavorable balance of trade.
- The *Trade Area Capture* (TAC) of a city is a measure of the customer base served by a community. It is calculated by multiplying the city's population by the CiTPF.
- The *Percent Market Share* (MS) is the percent the city's Trade Area Capture is of the state as a whole. TAC is calculated by dividing the city's TAC by the sum of all city TAC numbers.
- The *Percent of County Trade* (PCT) is a concentration factor that shows the percent capture of retail trade of the city within its county.

For historical data on this expanded list of cities, please refer to the prior reports. The fiscal year 2005 report contains data for fiscal years 2004 and 2003 in the appendices.

Prior year reports and other community-related reports and can be found (or linked) at the Department of Revenue's web site, www.ksrevenue.org.

DISCUSSION AND ANALYSIS

Map 1 provides a graphic view of the cities that are included in the study. The state is divided into the 11 regions used in the Governor's Economic Development reporting. The inclusion of the additional groups of cities provides a greater overall view of where the retail activity is in the state and where it is concentrated. The 1st class cities are concentrated in eastern and central Kansas. By expanding the report to include three additional groups of cities, the report provides a more complete picture of retail activity across the state. These 54 cities account for 77% of all retail sales in the state and are home to 64.7% of the state's population. In fiscal year 2014, there were also 57 cities included in this study, representing 77% of all retail sales.

There are 25 cities classified as first class cities in Kansas. These are historical designations, used to identify the larger, more dominant cities in their respective counties. These cities account for 65.8% of the state's sales tax collections and 56.4% of the state's population. Their combined CiTPF is 1.17, down slightly from 1.18 in FY 2014.

Table 1, Group B lists cities that have populations exceeding 10,000 but are not 1st class cities. Twelve cities are included in this group and they have a wide variance in CiTPF. This group includes regional shopping centers (those with the higher CiTPF) and bedroom communities of neighboring cities (those with the lower CiTPF).

Table 1, Group C are non-1st class cities with a population less than 10,000 but their concentration factor is 75% or more, meaning that they are the retail centers for their county. There are 9 cities within this group. The pull factors are near or greater than 1.0 as would be expected being they are the retail centers for their home county.

Table 1, Group D consists of a group of 8 cities that also make out the majority of a county's sales tax. They are non-1st class cities with population less than 10,000 and PCT is between 65% and 75%. Many of these cities are the retail centers for their counties, several having pull factors near or greater than 1.0, indicating they are providing the retail needs for their residents. This group of cities shows the most change from year to year, as slight changes in collections and/or population can affect the city's PCT when it hovers near the 65% threshold.

Policy Implications

In 2003 the Kansas Legislature passed a law that placed Kansas in conformity with the Streamlined Sales Tax Agreement. This legislation required destination sourcing, under which retail businesses must collect sales tax based on the local rates in effect at the place where the customer takes delivery of a purchase. Vehicle purchases are excluded from the destination sourcing requirement. Prior to the change, only telecommunications and utility sales were taxed in this manner. Full reporting of destination sourcing was not required until January 2005.

Destination sourcing results in charging the sales tax rate based on where delivery occurs and in some industries, this impacts how sales are recorded. For instance with furniture retailers, if the furniture is delivered to the purchaser's home, the sale is recorded as occurring at the taxing jurisdiction of the purchaser. The primary types of retailers affected by destination sourcing are furniture dealers, home improvement (lumber) stores, household and electronic appliance dealers, and certain repair service providers.

Destination sourcing affects the city trade pull factor because the measure is based on sales tax collections. Prior to the new law, all sales of a retailer were recorded based on the business location. With destination sourcing, sales that are delivered are recorded where the delivery occurred. If the sale were into a neighboring community, it would be recorded as such – resulting in a loss of sales tax collections in the city where the store is located. With a few exceptions, the overall impact of destination sourcing on most cities' total sales tax collections has not been significant, so determining if a change in a city's sales tax collections is a direct result of destination sourcing is challenging. Based on the changes seen in the historical data, many regional shopping areas' pull factors were staying constant or slightly decreasing. Likewise, smaller cities' pull factors showed slight increases. This ongoing shift in the measures since destination sourcing was enacted is anticipated to continue with the growth of Internet shopping and the delivery of goods to the purchaser's address.

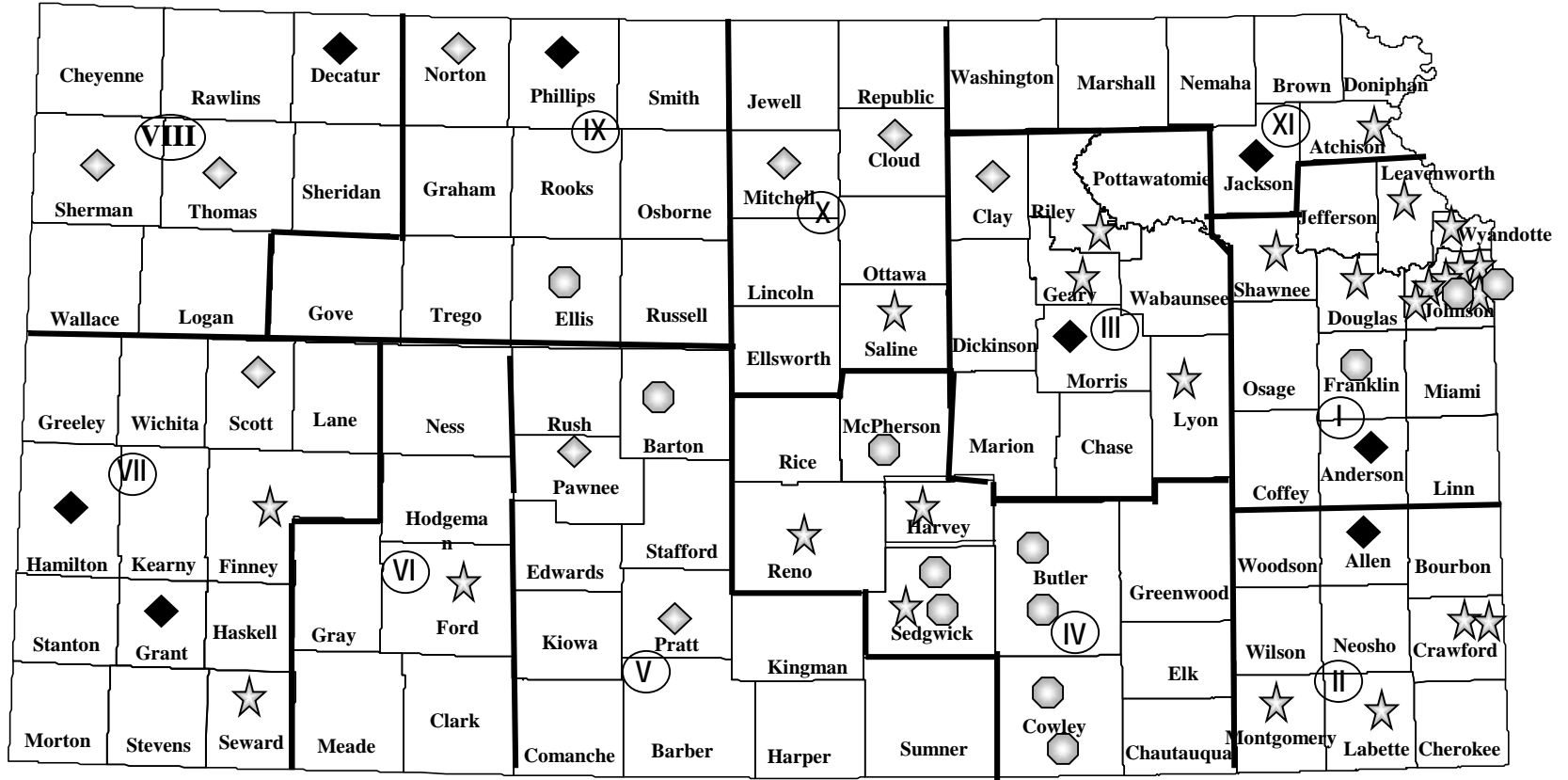
Data Sources

The data used in this report consists of city population and state sales tax collections. City populations are from the U.S. Census Bureau as certified by the Division of the Budget July 1, 2015 and published as the official population reports for the state of Kansas, adjusted to remove the institutionalized population. The institutionalized population does not trade within the retail community, so should not impact the computing of the measures. People in prisons are part of the institutionalized population. To arrive at the adjusted population data for this report, state and federal prison populations were deducted from the city and county totals. This was a change beginning with the FY 2012 report. In the past, group quarter data from the US Census was subtracted from the population data. This would consist primarily of nursing home populations. A review of the data shows that deducting group quarter data has no impact on the pull factor and other statistics presented herein and therefore the decision was to only adjust prison population. The Census counts are published on their web site: www.census.gov.

State sales tax collections are generated by the Department of Revenue from sales tax returns filed by the state's retailers. The department has improved the data series used for this report. Sales tax reports issued by the department are available on the department's web site located at <http://www.ksrevenue.org>.

Map 1. City Trade Pull Factors By Kansas Economic Reporting Regions Fiscal Year 2015

(Data for this map is presented on Table 1)



★ 1st Class Cities

⬡ Non 1st Class cites, Population >10,000

◇ Non 1st Class cites, population <10,000, sales >75% of county

◆ Non 1st Class cites, population <10,000, sales 65%-75% of county

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Table 1 FY 2015 City Pull Factors

	FY 2015 Collections	FY 2015 Per Capita	Pull Factor	Trade Area Capture	Percent of County Share
Group A, 1st class cities					
Wichita	\$ 375,721,537	\$ 967.32	1.10	428,537	74.9%
Overland Park	\$ 229,235,910	\$ 1,242.30	1.42	261,460	35.2%
Kansas City	\$ 108,339,742	\$ 724.02	0.83	123,569	89.2%
Topeka	\$ 148,217,150	\$ 1,172.70	1.34	169,052	91.3%
Olathe	\$ 140,426,506	\$ 1,055.35	1.20	160,166	21.5%
Lawrence	\$ 86,690,319	\$ 934.54	1.07	98,876	92.9%
Shawnee	\$ 54,219,451	\$ 839.32	0.96	61,841	8.3%
Manhattan (pt.)	\$ 63,047,459	\$ 1,124.28	1.28	71,906	91.0%
Lenexa	\$ 73,206,754	\$ 1,434.25	1.64	83,498	11.2%
Salina	\$ 62,645,878	\$ 1,308.75	1.49	71,452	95.6%
Hutchinson	\$ 47,509,660	\$ 1,193.80	1.36	54,188	82.8%
Leavenworth	\$ 24,907,394	\$ 691.87	0.79	28,409	67.1%
Leawood	\$ 40,024,836	\$ 1,163.68	1.33	45,651	6.1%
Dodge City	\$ 28,094,847	\$ 999.21	1.14	32,044	88.1%
Garden City	\$ 37,561,198	\$ 1,390.95	1.59	42,841	83.4%
Emporia	\$ 24,456,105	\$ 995.77	1.14	27,894	91.8%
Junction City	\$ 21,794,996	\$ 883.64	1.01	24,859	86.3%
Prairie Village	\$ 13,455,569	\$ 615.06	0.70	15,347	2.1%
Liberal	\$ 22,829,943	\$ 1,086.52	1.24	26,039	93.1%
Pittsburg	\$ 19,461,149	\$ 954.26	1.09	22,197	73.2%
Newton	\$ 15,083,222	\$ 788.87	0.90	17,203	64.8%
Atchison	\$ 8,111,446	\$ 753.08	0.86	9,252	87.0%
Parsons	\$ 9,320,780	\$ 916.14	1.04	10,631	74.5%
Coffeyville	\$ 8,585,572	\$ 869.34	0.99	9,792	36.5%
Fort Scott	\$ 7,621,173	\$ 967.89	1.10	8,692	88.5%
Total, Group A	\$ 1,670,568,595	\$ 1,024.88	1.17	1,905,399	65.9%
% of Statewide	65.8%				
Statewide Total	\$ 2,539,662,667	\$ 877.99	1.00		
Group B, Not 1st Class Cities - population exceeds 10,000					
Derby	\$ 23,947,118	\$ 1,030.69	1.18	27,313	4.8%
Hays	\$ 32,918,843	\$ 1,564.29	1.78	37,546	81.3%
Gardner	\$ 11,588,205	\$ 560.71	0.64	13,217	1.8%
Great Bend	\$ 22,054,949	\$ 1,392.36	1.59	25,155	73.7%
McPherson	\$ 17,735,126	\$ 1,344.69	1.53	20,228	63.5%
Ottawa	\$ 12,804,292	\$ 1,032.35	1.18	14,604	74.7%
Arkansas City	\$ 9,785,573	\$ 801.77	0.91	11,161	42.7%
Andover	\$ 10,454,626	\$ 835.77	0.95	11,924	24.4%
El Dorado	\$ 13,056,253	\$ 1,154.71	1.32	14,892	30.5%
Winfield	\$ 9,909,783	\$ 864.88	0.99	11,303	43.2%
Merriam	\$ 46,236,437	\$ 4,095.34	4.67	52,736	7.1%
Haysville	\$ 3,230,154	\$ 290.69	0.33	3,684	0.6%
Total, Group B	\$ 213,721,359	\$ 1,212.55		243,764	8.4%
% of Statewide	8.4%				

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Table 1 FY 2015 City Pull Factors

Subtotal, Groups A, B	\$	1,884,289,954	\$	1,043.19		2,149,163
% of Statewide		74.2%				74.3%

Group c, not 1st Class, sales tax >75% of county sales tax

Goodland	\$	6,202,631	\$	1,362.02	1.55	7,075	92.5%
Colby	\$	9,880,162	\$	1,833.73	2.09	11,269	88.4%
Pratt	\$	9,437,320	\$	1,355.35	1.55	10,764	85.2%
Concordia	\$	6,370,055	\$	1,199.41	1.37	7,266	82.2%
Clay Center	\$	4,040,790	\$	967.39	1.10	4,609	79.8%
Scott City	\$	3,419,423	\$	870.75	0.99	3,900	79.3%
Beloit	\$	4,804,337	\$	1,266.97	1.45	5,480	78.7%
Larned	\$	2,807,120	\$	779.97	0.89	3,202	76.5%
Norton	\$	2,734,399	\$	1,362.43	1.55	3,119	76.0%

Total, Group C	\$	49,696,237	\$	1,251.23		56,682
% of Statewide		2.0%				2.0%
Subtotal, Groups A, B, C	\$	1,933,986,191	\$	1,047.67		2,205,845
% of Statewide		76.2%				76.3%

Group D, Not 1st Class Cities - sales tax collections make up 65-75% of total county sales tax

Ulysses	\$	4,055,295	\$	658.33	0.75	4,625	73.9%
Holton	\$	4,454,823	\$	1,343.43	1.53	5,081	73.1%
Council Grove	\$	2,137,727	\$	1,015.55	1.16	2,438	71.0%
Garnett	\$	3,000,524	\$	910.63	1.04	3,422	69.7%
Iola	\$	7,092,249	\$	1,277.19	1.46	8,089	69.6%
Syracuse	\$	1,076,402	\$	615.09	0.70	1,228	69.5%
Phillipsburg	\$	2,350,565	\$	919.63	1.05	2,681	68.8%
Oberlin	\$	1,026,481	\$	586.90	0.67	1,171	66.7%

Total, Group D	\$	25,194,065	\$	951.29	-	951
% of Statewide		1.0%				0.03%
Subtotal, Groups A, B, C, D	\$	1,959,180,257	\$	1,046.31		2,206,796
% of Statewide		77.1%				76.3%

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Table 1 FY 2015 City Pull Factors

Adj. Population
CY 2014

388,413
184,525
149,636
126,390
133,062
92,763
64,599
56,078
51,042
47,867
39,797
36,000
34,395
28,117
27,004
24,560
24,665
21,877
21,012
20,394
19,120
10,771
10,174
9,876
7,874

1,630,011
56.4%
2,892,577

23,234
21,044
20,667
15,840
13,189
12,403
12,205
12,509
11,307
11,458
11,290
11,112

176,258
6.1%

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Table 1 FY 2015 City Pull Factors

1,806,269
62.4%

4,554
5,388
6,963
5,311
4,177
3,927
3,792
3,599
2,007

39,718
1.4%
1,845,987
63.8%

6,160
3,316
2,105
3,295
5,553
1,750
2,556
1,749

26,484
0.9%
1,872,471
64.7%