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Coastal Delaware is a \$6.9 billion business, two University of Delaware professors say.

In a report compiled by professors William Latham and Kenneth Lewis, coastal Delaware supports 59,000 jobs, generating \$2.5 billion in income for workers, and brings in \$711 million in local, state and federal tax revenue.

Compiled for the Delaware Sea Grant College Program, the report examines the economic impact of coast-related activity on the state economy. The main concept Latham and Lewis identify is the multiplier effect.

According to their model, the process starts with direct consumer spending by tourists and locals on goods and services. Consumer spending leads to jobs, payroll and tax revenue, which Latham and Lewis identified as the direct effect on the economy.

At a Dec. 7 conference, Latham also identified indirect and induced effects, which include the jobs, payroll and output that result when businesses purchase equipment or use construction, transportation or management services. There is also an induced effect, he said, as employees of those businesses take their earnings and recycle the money back into the economy.

“People earn income, they spend the income and that stimulates the economy,” Latham said.

Latham and Lewis used three examples to demonstrate and measure coastal economic impacts: vacationing families, summer residents and permanent residents. Each group stimulates the economy in its own way. Tourists spend their money on

entertainment, by going to the movies, shopping at the outlets or along the

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legal services.

The report found the top industry is restaurants and bars, which generate 7,332 jobs and bring in \$163 million for employees. Real estate was the second-largest sector in terms of jobs, with 4,128, although the amount workers earn was \$63 million, a middle-of-the-pack figure among the top-10 industries.

Healthcare, including hospitals, nursing homes and other facilities, accounts for \$205 million in payroll. The largest medical employer in the area is Beebe Medical Center, whose President and CEO Jeffrey Fried said the biggest challenge facing the hospital is having enough physicians and medical professionals to serve the region's growing population.

Fried said Beebe needs to hire 50 more doctors in the next five years to keep up with the demand. He said there is one primary-care physician for every 1,200 people in the Cape Region. Fried said there is also a great need for nurses.

Other speakers expanded on the report's findings. Sussex County Administrator Todd Lawson discussed the interplay between the coastal region and the county in terms of revenue. Lawson said 55 percent of the county's budgeted revenue is tied to real estate transfer taxes and property taxes. He said the best barometer of the county's fiscal health is transfer tax, because it fluctuates and is determined by the health of the market.

"It's truly the pulse of what's going on as far as the county is concerned," Lawson said.

He provided a diagram of the fluctuations of transfer-tax revenue going back to 2002. Predictably, at the height of the real estate bubble in 2004-06, transfer-tax revenue was at \$36 million, Lawson said. Since the bubble burst however, transfer-tax revenue has been budgeted around \$13 million since 2009, he said.

That revenue is spent on services such as libraries, public safety and emergency

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King, R-George-town, who discussed the real estate industry's role in the local economy.

To view the report online, visit deseagrant.org.

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