

**THE UNIVERSITY OF KANSAS
Policy Research Institute
ECONOMIC ANALYSIS REPORT**

**Lawrence / Douglas County
Economic Indicators Report
Second Quarter 2002**

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Lawrence/Douglas County Economic Indicators

Second Quarter, 2002

In the second quarter of 2002 the Lawrence/Douglas County economy continued to grow in most ways, but at a slow pace. Within the city, single family home construction numbers were at nearly the same amount as a year ago, although other construction numbers were down slightly for the year. However, this has more to do with the comparison year than with any real decrease in activity, as last year was a record-setter for the construction industry. Sales tax collections were down slightly as consumers exercised tighter fiscal restraint, but a cool spring was also probably a culprit in dampening early summer shopping. Employment levels were higher this quarter than they were a year earlier, in spite of the shut-down of the Sprint center, which cost Lawrence an estimated 500 jobs. However, as might be expected, this caused seasonally-adjusted initial unemployment claims also to increase. The number of residential utility meters grew at its fairly predictable rate of three percent, reflecting the ever increasing population in Lawrence.

LOCAL SALES TAX COLLECTIONS

Sales tax collections for Lawrence and Douglas County were down for both the quarter and the year. Second quarter retail shopping is usually lower than in the first quarter, so partly this is a seasonal effect. The declines for the year, however, symbolize people's decreased disposable incomes this year compared to last, as well as cooler weather this spring, which does influence retail spending patterns. In Lawrence, sales tax collections were down nearly 5 percent from the second quarter of 2001; in Douglas County the decrease was about 3 percent.

TOURISM AND CONVENTIONS

Transient guest tax collections more than doubled from the previous quarter, but travel and tourism activity always increases in the second quarter so this is predominantly a seasonal change. However, total collections for the quarter, which came to \$124,390, were 2 percent higher than at the same time a year ago. This is good news, for the first quarter also posted a 2 percent annual increase, so indications are that Lawrence is poised for a strong year of tourist activity, despite the dire predictions earlier on.

CIVILIAN LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT (Place of residence data)

The place of residence data reflects how many people live in Douglas County and are employed, but their jobs may actually be in a different county. Employment levels overall in the second quarter remained nearly unchanged from the previous quarter: the civilian labor force, number of employed, and unemployment rate all declined 0.2 percent since the first quarter of this year. Typically, in the second quarter employment rises slightly as more summer jobs become available, but this is not a hard-and-fast trend. Compared to the same time last year the labor force as well as those employed increased about 4 percent. The unemployment rate was also a slightly lower for the year at 4.36 percent, compared to 4.51 percent in the second quarter of 2001.

WAGE AND SALARY EMPLOYMENT (Place of work data)

The figures for place of work data reflect how many jobs there are in any given industry within Douglas County. The second quarter of 2002 saw mixed employment adjustments with the result being a nearly zero percent net change overall (0.5 for the quarter and -0.3 for the year.) For the

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quarter the Manufacturing and Services sectors experienced the most absolute growth, each added 200 jobs over their first-quarter levels. For the Services sector to have posted a quarterly gain took quite an effort, as the local Sprint Customer Service Center laid off 500 people when it closed in May. The Finance, Insurance and Real Estate industry grew 4.4 percent for the quarter, or about 67 jobs, another encouraging positive as this was the first significant increase in employment for that sector in three years of steady declines. The Government sector shed the most jobs from the first quarter, but this is largely attributable to seasonal effects: in the second quarter many university employees take leave for the summer.

Compared to the second quarter of last year the Manufacturing, Construction, Retail Trade, and Finance, Insurance and Real Estate sectors all lost jobs, while Transportation and Public Utilities, Wholesale Trade, Government and Farm employment stayed nearly the same. The Services sector grew the most for the year at over 200 jobs.

JOB SERVICE CENTER

Second-quarter initial unemployment claims for Douglas county dropped 133 from the first quarter, but like many indicators, unemployment claims vary predictably by season. With the advent of outdoor summer employment towards the end of the second quarter more people are typically able to find jobs, and unemployment claims decrease. However, unemployment claims this year are double the number filed in the second quarter of 2001. And after controlling for seasonal effects, the change in initial unemployment claims is actually a 10 percent increase for the quarter.

CONSTRUCTION

Construction activity picked up significantly in the second quarter for both the city and county. While construction projects this year so far have not matched the numbers seen last year, 2001 was in most ways a record-setting year for the construction industry, so this is no real loss. Given regional and national conditions, Lawrence is actually doing very well in the area of new building efforts.

The total value of all construction permits in Lawrence rose to \$40.5 million from about \$23 million in the first quarter, a 78 percent increase. Leading the upsurge was a nearly \$12 million, 200 unit apartment building, The Legends on 24th and Inverness. Single family home starts were actually down 1 percent in total numbers from a year ago, but in value rose over 20 percent: from \$12 million in the second quarter of 2001 to nearly \$15 million this year. In other words, about the same number of homes were built in the second quarter of this year as the last, but they were more expensive on average.

Business construction was down for the year both in numbers as well in value, but again, the levels are actually quite strong from both a historical as well as a current-events perspective. During the second quarter, construction began in Lawrence on a second Applebee's restaurant (\$550,000), a Sheridan's Custard shop (\$250,000), and a \$1.2 million remodel job for the Kappa Kappa Gamma sorority.

As for the unincorporated areas of Douglas County, the total number of permits taken out in the second quarter was up 25 percent compared to a year ago, but in monetary terms the value of these permits was nearly 25 percent less. This was due in large part to a decline in the average price of

new homes being built in the second quarter outside the city. Nevertheless, overall construction activity in the county was at a very decent level.

NEW AND EXISTING HOME SALES

The number of new and existing single family homes sold in the second quarter rose to an all-time quarterly high of 535, an increase of 120 percent from the previous quarter and 31 percent from the previous year. People's decisions to buy homes is fairly seasonally-influenced, with the majority of purchases taking place in the second or third quarters. The unusually high number of home purchases observed in the second quarter was of course partly due to the seasonal effect, but also no doubt to very low interest rates, which make buying a home much more affordable. These numbers, it should also be noted, are not all-inclusive of homes sold in Lawrence for any given quarter: they are the totals only for those realtors who list with Lawrence's Multiple Listing Service (MLS). However, using this same group from quarter to quarter does allow us to observe general market trends.

The ACCRA home price information is unavailable this quarter.

ELECTRIC UTILITIES

A remarkably cool spring which kept many people's air conditioners off well into June, held down the total number of kilowatt hours used in the second quarter to 236 million, 2.2 percent less than in 2001.

Of the various economic indicators examined, residential electric utility meters is perhaps the most seasonal as well as steady growing. The consistent trend for many years has been about 3 percent growth from one year to the next. The second quarter of 2002 was no exception with 2.7 percent more meters than a year ago. The number of commercial meters increased by only 7 from the first quarter to the second (to 4,401) but was up nearly 4 percent for the year.

Lawrence/Douglas County Economic Indicators
Second Quarter, 2002

| | Current Period (2q02) | Previous Period (1q02) | Percent Change % | Year Ago (2q01) | Percent Change % |
|--|--------------------------------------|---------------------------------------|---------------------------------|--------------------------------|---------------------------------|
| SALES TAX REVENUE (Thousands of Dollars) (note 1) | | | | | |
| Douglas County Sales Tax Collections | \$2,683 | \$3,078 | -12.8 | \$2,758 | -2.7 |
| Lawrence Sales Tax Collections | \$2,433 | \$2,841 | -14.3 | \$2,555 | -4.7 |
| TOURISM & CONVENTIONS | | | | | |
| Transient Guest Tax | \$124,390 | \$76,690 | 62.2 | \$122,126 | 1.9 |
| Rolling Quarterly Average | \$112,419 | \$111,853 | 0.5 | \$112,031 | 0.3 |
| CIVILIAN LABOR FORCE (note 2) | | | | | |
| Total Civilian Labor Force | 58,816 | 58,956 | -0.2 | 56,367 | 4.3 |
| Total Employment | 56,253 | 56,380 | -0.2 | 53,824 | 4.5 |
| Unemployed | 2,564 | 2,576 | -0.5 | 2,543 | 0.8 |
| Civilian Unemployment Rate | 4.36% | 4.37% | -0.2 | 4.51% | -3.3 |
| EMPLOYMENT (note 3) (Quarterly averages) | | | | | |
| Nonfarm Wage & Salary Employees | 51,767 | 51,500 | 0.5 | 51,900 | -0.3 |
| Manufacturing | 5,500 | 5,300 | 3.8 | 5,600 | -1.8 |
| Construction & Mining | 2,500 | 2,433 | 2.8 | 2,600 | -3.8 |
| Transportation & Public Utilities | 2,000 | 2,100 | -4.8 | 1,967 | 1.7 |
| Wholesale Trade | 1,000 | 1,000 | 0.0 | 1,000 | 0.0 |
| Retail Trade | 10,433 | 10,467 | -0.3 | 10,767 | -3.1 |
| Finance/Insurance/Real Estate | 1,567 | 1,500 | 4.4 | 1,600 | -2.1 |
| Services | 13,467 | 13,267 | 1.5 | 13,200 | 2.0 |
| Government | 15,300 | 15,433 | -0.9 | 15,200 | 0.7 |
| Farm Employment | 567 | 500 | 13.3 | 567 | 0.0 |
| JOB SERVICE CENTER (Quarterly totals) | | | | | |
| Initial Unemployment Insurance Claims | 1,259 | 1,392 | -9.6 | 838 | 50.2 |
| IU Claims, rolling 4-quarter average | 1,142 | 1,037 | 10.1 | 815 | 40.1 |

note 1: State sales tax collections are unavailable at this time. See text of the report.

County and City sales tax figures reflect the period in which the receipts were issued to the local governments.

note 2: Place of Residence figures, Douglas County.

note 3: Place of Work figures, Douglas County.

Lawrence/Douglas County Economic Indicators
Second Quarter, 2002

| | Current Period (2q02) | Previous Period (1q02) | Percent Change % | Year Ago (2q01) | Percent Change % |
|---|--------------------------------------|---------------------------------------|---------------------------------|--------------------------------|---------------------------------|
| CONSTRUCTION (Lawrence) | | | | | |
| Total Number of Building Permits | 904 | 648 | 39.5 | 1,061 | -14.8 |
| Single Family | 92 | 54 | 70.4 | 93 | -1.1 |
| Multifamily | 23 | 32 | -28.1 | 44 | -47.7 |
| Number of Units | 229 | 65 | 252.3 | 88 | 160.2 |
| New Business/Commercial | 5 | 6 | -16.7 | 8 | -37.5 |
| | | | | | |
| Total Value of All Permits (Thousands of dollars) | \$40,518 | \$22,715 | 78.4 | \$42,392 | -4.4 |
| Single Family | \$14,849 | \$7,532 | 97.2 | \$12,235 | 21.4 |
| Multifamily | \$14,579 | \$5,193 | 180.7 | \$6,789 | 114.7 |
| New Business/Commercial | \$2,244 | \$2,743 | -18.2 | \$2,637 | -14.9 |
| Business Remodels/Additions | \$4,877 | \$3,712 | 31.4 | \$16,746 | -70.9 |
| All Other (note 4) | \$3,969 | \$3,534 | 12.3 | \$3,985 | -0.4 |
| | | | | | |
| CONSTRUCTION (Douglas County unincorporated) | | | | | |
| Total Number of Building Permits (all types) | 216 | 288 | -25.0 | 173 | 24.9 |
| New Residential | 18 | 12 | 50.0 | 29 | -37.9 |
| New Business/Commercial | 5 | 5 | 0.0 | 3 | 66.7 |
| | | | | | |
| Total Value of All Permits (Thousands of dollars) | \$6,001 | \$3,666 | 63.7 | \$7,978 | -24.8 |
| New Residential | \$3,100 | \$2,067 | 50.0 | \$6,489 | -52.2 |
| New Business/Commercial | \$599 | \$812 | -26.2 | \$535 | 12.0 |
| | | | | | |
| NEW & EXISTING HOME SALES | | | | | |
| Single Family Numbers (note 5) | 535 | 242 | 121.1 | 410 | 30.5 |
| Price of ACCRA-defined Home | n/a | \$239,389 | - | 226,923 | - |
| | | | | | |
| ELECTRIC UTILITIES (City of Lawrence) | | | | | |
| Average # Residential Meters | 36,766 | 36,035 | 2.0 | 35,811 | 2.7 |
| Average # Commercial Meters | 4,401 | 4,394 | 0.2 | 4,240 | 3.8 |
| Average # Industrial Meters | 22 | 22 | 2.8 | 23 | -4.3 |
| Total Kilowatt Hours Used (Millions) | 235.7 | 222.9 | 5.7 | 241.1 | -2.2 |

note 4: Includes the value of permits for signs, plumbing, electrical, mechanical, accessory structures, detached garages business and residential demolition, and swimming pools.

note 5: Only represents homes sold by those realtors who list in Lawrence's Multiple-Listing Service: this is not all-inclusive of every single-family home sold in Douglas County.

n/a: not available this quarter, see text.

Sources:

Kansas Department of Revenue
 Kansas Power & Light
 Lawrence Board of Realtors
 Labor Market Information Services, Kansas Department of Human Resources
 Lawrence Convention and Visitors Bureau
 Building Inspection Department, City of Lawrence

EMPLOYMENT CHANGES IN SELECTED NORTHEASTERN KANSAS CITIES

Employment declines, which began in 2000, continued into 2001 for every northeastern Kansas city observed here, save Lawrence. This clearly indicates the strength of Lawrence's economy, especially considering the very tough year that 2001 was. When the rest of the comparative cities as well as the state saw nearly consistent 2 percent drops, Lawrence managed to eke out a 1 percent gain.

Of the selected cities shown here, Topeka lost the greatest number of employed in 2001, shedding 1,356 jobs. Kansas City lost nearly the same amount. Percentage-wise, Manhattan fared the worst, losing 2.6 percent of its employment base. The state as a whole experienced an annual decline of 2.7 percent.

However, all of the selected cities experienced employment growth for the decade, with the exception of Kansas City. In 1991 the number of employed in Kansas City totaled 64,756; by 2001 that number had decreased 750 workers. Olathe had the highest decade growth rate at 26 percent. Lawrence came in second among the selected cities with nearly 24 percent growth since 1991, an increase of over 8,200 jobs. This compares to total employment in Kansas which only grew 9 percent in the last ten years.

| Count | 1997 | 1998 | 1999 | 2000 | 2001 |
|-----------------|---------------|---------------|---------------|---------------|---------------|
| Kansas City | 64,656 | 65,590 | 66,382 | 65,321 | 64,006 |
| Lawrence | 40,438 | 42,056 | 43,419 | 42,615 | 43,013 |
| Leavenworth | 13,402 | 13,845 | 14,235 | 14,007 | 13,726 |
| Manhattan | 20,290 | 20,798 | 20,697 | 20,568 | 20,037 |
| Olathe | 42,985 | 44,838 | 46,844 | 46,095 | 45,167 |
| Topeka | 62,074 | 63,196 | 63,751 | 63,262 | 61,906 |
| Kansas | 1,326,000 | 1,365,000 | 1,391,000 | 1,359,000 | 1,322,000 |

Source: Kansas Department of Human Resources

| Differences | 1998 | 1999 | 2000 | 2001 | 91-2001 |
|-----------------|--------------|--------------|-------------|------------|--------------|
| Kansas City | 934 | 792 | -1,061 | -1,315 | -750 |
| Lawrence | 1,618 | 1,363 | -804 | 398 | 8,276 |
| Leavenworth | 443 | 390 | -228 | -281 | 1,596 |
| Manhattan | 508 | -101 | -129 | -531 | 1,693 |
| Olathe | 1,853 | 2,006 | -749 | -928 | 9,313 |
| Topeka | 1,122 | 555 | -489 | -1,356 | 2,424 |
| Kansas | 39,000 | 26,000 | -32,000 | -37,000 | 108,000 |

| % Changes | 1998 | 1999 | 2000 | 2001 | 91-2001 |
|-----------------|--------------|--------------|---------------|--------------|---------------|
| Kansas City | 1.44% | 1.21% | -1.60% | -2.01% | -1.16% |
| Lawrence | 4.00% | 3.24% | -1.85% | 0.93% | 23.82% |
| Leavenworth | 3.31% | 2.82% | -1.60% | -2.01% | 13.16% |
| Manhattan | 2.50% | -0.49% | -0.62% | -2.58% | 9.23% |
| Olathe | 4.31% | 4.47% | -1.60% | -2.01% | 25.97% |
| Topeka | 1.81% | 0.88% | -0.77% | -2.14% | 4.08% |
| Kansas | 2.94% | 1.90% | -2.30% | -2.72% | 8.90% |

Data on this page come from the Kansas Department of Human Resources' "Labor Force Estimates." Due to frequent revisions current numbers are unlikely to match those cited in previous reports. Employment figures for cities are based on the ratio of the city's population to that of its county during decennial censuses, and do not reflect the precise number of employed in a given town. These estimates can be viewed online at <http://laborstats.hr.state.ks.us/lfe/lfe.htm>.

