

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

**Lawrence / Douglas County
Economic Indicators Report
Third Quarter 2001**

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Lawrence/Douglas County Economic Indicators

Third Quarter, 2001

The third quarter saw the beginnings of an earnest national recession. Lawrence and Douglas county have not escaped its effects entirely, but many areas of the country and even in Kansas, the local economy is doing relatively well. Unemployment went up in the third quarter to its highest level in three years, but even then the rate is not alarmingly high. Most industry sectors saw employment declines. Construction activity was down in Lawrence considerably from last year. Tourist activity has not been brisk either. However, Lawrence and Douglas county sales tax collections fared well, posting an above-average increase in the third quarter. That is a good sign because it indicates that local consumers, who in the end drive the economy, have not yet significantly changed their spending habits for the worse.

LOCAL SALES TAX COLLECTIONS

Third quarter sales tax collections rose about 9 percent for Douglas County and 10 percent for Lawrence since the previous quarter. While collections usually increase in the third quarter anyway as students return to school, this year's third quarter figures are an encouraging sign. Second quarter collections fell more than usual this year, and at the time it seemed possible the economic downturn might seriously affect sales tax revenues. However, a relatively larger-than-average increase in the third quarter, in which the downturn was certainly even more pronounced, indicates local government may be able to view sales tax revenues as fairly stable for now. One possible explanation for the increase is that local consumers may have decided to do more of their retail shopping closer to home in the wake of recent destabilizing events.

TOURISM AND CONVENTIONS

Transient guest tax collections fell slightly in the third quarter compared to the previous three months. The rolling four-quarter average is the best figure to look at with guest taxes because they are highly correlated to season. The rolling average amount of collections in the third quarter was \$111, 710, which was down three percent from \$115,397 a year ago. In fact, the rolling average has been declining for two years running, though the actual value of collections has fluctuated considerably.

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

Place of residence data reflect how many people living within Lawrence are employed, regardless of where they work. The unemployment rate in Lawrence crept up yet again in the third quarter, to 4.09 percent (from 4.05 in the second quarter). This was the highest unemployment rate seen in three years, but compared to average rates for the last decade was about normal. The number of unemployed people in the third quarter was actually 57 less than the previous quarter, but since the labor force itself shrank by over 2,000 workers, the unemployment rate was seen to go up. The labor force, and hence the number of people employed, typically shrinks in the third quarter anyway, as students and other summer-time workers leave their jobs to pursue other activities. Nevertheless, there is still a noticeable decrease in the number of workers in Lawrence thus far in 2001 compared to the previous several years.

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WAGE AND SALARY EMPLOYMENT (Place of work data)

Place of work data reflect how many jobs there are in any given industry in Lawrence. With the exception of the Construction and Transportation industries, all sectors saw employment declines for the quarter as well as for the year. At first sight the Government sector seems to have been the biggest loser, but Government employment always decreases in the third quarter. Comparing third quarter employment to employment in the sector at the same time last year indicates a decline in the Government sector of only 1 percent, or 134 workers out of 12,233.

Percentage-wise the Finance, Insurance and Real Estate (FIRE) sector saw the biggest decline in the third quarter. Last quarter we speculated that employment in this sector, which has been dropping steadily for years, may be near bottoming out. This was due to a slight increase in the second quarter, the first gain for the sector early 1999. However, more employees were lost in the third quarter than were gained in that short hiatus. Employment in FIRE was down 4 percent for the quarter and 11 for the year.

Numbers-wise, the sector which experienced the greatest employment loss was Manufacturing, which shed 433 jobs since a year ago. The majority of those losses were experienced early this year, though. For the quarter, Manufacturing employment is only down 34 employees, a quarterly decline of 0.6 percent.

Sectors which saw some growth last quarter included construction, which saw employment rise nearly 4 percent to 2,700 workers. However, this was still down almost 5 percent from the previous year. Construction activity always peaks in the third quarter, so the total number of people employed in that sector for this year will be less than it was in 2000.

JOB SERVICE CENTER

Last quarter we noticed a much smaller-than-average decrease in unemployment claims in Douglas County. Traditionally, second quarter claims fall rather drastically as summer work picks up. This year, however, summer jobs were more scarce than usual. Third quarter claims show this hasn't changed much. While the total number of claims fell 5 percent from the second quarter to the third, comparing them to a year ago indicates more clearly the unpleasant reality. Seasonally adjusted claims are actually up 6 percent for the quarter and 18 percent for the year. The economic slowdown seems to have begun having its effect on employment in Douglas County in the second quarter and has not improved since.

CONSTRUCTION

The total value of all construction permits in Lawrence was \$36 million for the third quarter, an amount 15 percent less than last quarter and 52 percent less than a year ago. This was a marked decline in the value of construction done in Lawrence. However, the *number* of permits taken out for construction was nearly the same as it was last year, increasing 3 percent to 926.

New business construction did quite well in Lawrence for the third quarter, in part due to the emerging Pine Ridge Plaza retail center at 31st and Iowa in south Lawrence. The quarterly number of new business permits sold in the third quarter was 22, a record high. Nine of those permits, however, were for the construction of 4- and 8-plexes in July. These would typically be listed by the city under the "multi-family" section of their construction report, but presumably because they

intend to be used for business purposes were listed as such. The value of third quarter business permits was \$13.4 million. Although much higher than the previous quarter, that value was a fairly typical quarterly amount.

The nearly explosive duplex construction levels seen in the first half of the year slowed down somewhat in the third quarter. Thirty-two duplex permits were taken out in the third quarter, compared to 44 in the second and 56 in the first. Still, that brings the total so far this year to 132, which exceeds the record of 122 set for the entire year of 1996. On the other hand, the number of single family housing permits fell by 13 percent from the second quarter. This is in keeping with national trends in the new-home market. The Commerce Department recently reported that new-home sales dropped 1.4 percent in September to their lowest level since August of 2000. Even though interest rates have dropped drastically this year, making home buying a more affordable option, consumers are apparently hesitant to shoulder large financial commitments given the instability of the market and uncertainty about the future.

NEW AND EXISTING HOME SALES

The number of single family homes sold (not built) in Lawrence for the third quarter of 2001 was 442. This was the highest quarterly total ever, breaking the previous record of 410 set the quarter before. The only other occasion where the quarterly amount of single family homes sold broke 400 was in 1997 (403 in the third quarter). Home sales typically peak for the year during the third quarter, as a large number of students move out and new ones move in, meaning many houses change hands.

The price of an ACCRA-defined home in the third quarter for Lawrence was \$224,115, down only slightly from \$226,923 last quarter and \$225,457 last year. The price fell considerably in the second quarter for the first time in several years, but the decrease for the third quarter was only 1 percent: an indication that prices are probably not going to fall much more. The ACCRA-defined house is designed to be representative of houses owned by those earning incomes in the top 20% in the area and so therefore is not a true indication of the *average* house price in Lawrence. Nevertheless, the change in the ACCRA price reflects trends in the rest of the local housing market.

Coldwell Bankers conducted a survey of 300 communities in September that looked at house prices in much the same way ACCRA conducts their survey. The Coldwell Banker survey wanted the price of a home a “mid-level manager” would purchase. Their standard home definitions were similar to those currently used under the ACCRA definitions. This survey found the average house price in Lawrence was \$218,048 (close to ACCRA’s estimates). They also noted that in all the Kansas communities surveyed, Lawrence had the most expensive housing. Overland Park came in second at \$208,450.

ELECTRIC UTILITIES

The total number of kilowatt-hours used in the second quarter in Lawrence was 325 million, an increase of 35 percent from the second quarter. That was natural however, as the highest energy use always occurs in the months of July, August and September. Compared to third quarter consumption a year ago the total number of kilowatt-hours actually decreased 4.5 percent. This reflects the milder summer Lawrence experienced this year compared to last.

Lawrence/Douglas County Economic Indicators
Third Quarter, 2001

| | Current Period (3q01) | Previous Period (2q01) | Percent Change % | Year Ago (3q00) | Percent Change % |
|--|--------------------------------------|---------------------------------------|---------------------------------|--------------------------------|---------------------------------|
| SALES TAX REVENUE (Thousands of Dollars) (note 1) | | | | | |
| Douglas County Sales Tax Collections | \$2,914 | \$2,682 | 8.7 | \$2,729 | 6.8 |
| Lawrence Sales Tax Collections | \$2,681 | \$2,447 | 9.6 | \$2,478 | 8.2 |
| TOURISM & CONVENTIONS | | | | | |
| Transient Guest Tax | \$118,339 | \$122,126 | -3.1 | \$119,624 | -1.1 |
| Rolling Quarterly Average | \$111,710 | \$112,031 | -0.3 | \$115,397 | -3.2 |
| CIVILIAN LABOR FORCE (note 2) | | | | | |
| Total Civilian Labor Force | 53,855 | 55,861 | -3.6 | 55,945 | -3.7 |
| Total Employment | 51,653 | 53,602 | -3.6 | 53,882 | -4.1 |
| Unemployed | 2,202 | 2,259 | -2.5 | 2,062 | 6.8 |
| Civilian Unemployment Rate | 4.09% | 4.05% | 1.0 | 3.69% | 10.8 |
| EMPLOYMENT (note 3) (Monthly averages) | | | | | |
| Nonfarm Wage & Salary Employees | 46,433 | 49,200 | -5.6 | 48,167 | -3.6 |
| Manufacturing | 5,233 | 5,267 | -0.6 | 5,667 | -7.7 |
| Construction & Mining | 2,700 | 2,600 | 3.8 | 2,833 | -4.7 |
| Transportation & Public Utilities | 1,500 | 1,400 | 7.1 | 1,467 | 2.2 |
| Wholesale Trade | 1,100 | 1,100 | 0.0 | 1,200 | -8.3 |
| Retail Trade | 10,800 | 10,800 | 0.0 | 11,233 | -3.9 |
| Finance/Insurance/Real Estate | 1,633 | 1,700 | -3.9 | 1,833 | -10.9 |
| Services | 11,567 | 11,600 | -0.3 | 11,567 | 0.0 |
| Government | 12,233 | 14,733 | -17.0 | 12,367 | -1.1 |
| Farm Employment | 500 | 500 | 0.0 | 567 | -11.8 |
| JOB SERVICE CENTER (Quarterly totals) | | | | | |
| Initial Unemployment Insurance Claims | 795 | 838 | -5.1 | 594 | 33.8 |
| IU Claims, rolling 4-quarter average | 865 | 815 | 6.1 | 733 | 18.0 |

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
Third Quarter, 2001

| | Current Period (3q01) | Previous Period (2q01) | Percent Change % | Year Ago (3q00) | Percent Change % |
|---|--------------------------------------|---------------------------------------|---------------------------------|--------------------------------|---------------------------------|
| CONSTRUCTION (Lawrence) | | | | | |
| Total Number of Building Permits | 926 | 1,061 | -12.7 | 897 | 3.2 |
| Single Family | 81 | 93 | -12.9 | 70 | 15.7 |
| Multifamily | 32 | 44 | -27.3 | 25 | 28.0 |
| Number of Units | 64 | 88 | -27.3 | 112 | -42.9 |
| New Business/Commercial | 22 | 8 | 175.0 | 12 | 83.3 |
| | | | | | |
| Total Value of All Permits (Thousands of dollars) | \$36,081 | \$42,392 | -14.9 | \$75,708 | -52.3 |
| Single Family | \$11,122 | \$12,235 | -9.1 | \$9,506 | 17.0 |
| Multifamily | \$4,945 | \$6,789 | -27.2 | \$5,495 | -10.0 |
| New Business/Commercial | \$13,386 | \$2,637 | 407.6 | \$10,771 | 24.3 |
| Business Remodels/Additions | \$3,747 | \$16,746 | -77.6 | \$45,839 | -91.8 |
| All Other (note 4) | \$2,881 | \$3,985 | -27.7 | \$4,096 | -29.7 |
| | | | | | |
| CONSTRUCTION (Douglas County unincorporated) | | | | | |
| Total Number of Building Permits (all types) | 143 | 173 | -17.3 | 131 | 9.2 |
| New Residential | 17 | 29 | -41.4 | 23 | -26.1 |
| New Business/Commercial | 6 | 3 | 100.0 | 2 | 200.0 |
| | | | | | |
| Total Value of All Permits (Thousands of dollars) | \$6,676 | \$7,978 | -16.3 | \$6,815 | -2.0 |
| New Residential | \$4,005 | \$6,489 | -38.3 | \$5,598 | -28.5 |
| New Business/Commercial | \$401 | \$535 | -25.0 | \$9 | 4622.0 |
| | | | | | |
| NEW & EXISTING HOME SALES | | | | | |
| Single Family Numbers | 442 | 410 | 7.8 | 335 | 31.9 |
| Price of ACCRA-defined Home | \$224,115 | \$226,923 | -1.2 | 225,457 | -0.6 |
| | | | | | |
| ELECTRIC UTILITIES (City of Lawrence) | | | | | |
| Average # Residential Meters | 37,270 | 35,811 | 4.1 | 36,537 | 2.0 |
| Average # Commercial Meters | 4,285 | 4,240 | 1.1 | 4,193 | 2.2 |
| Average # Industrial Meters | 22 | 23 | -4.3 | 25 | -11.9 |
| Total Kilowatt Hours Used (Millions) | 324.5 | 241.1 | 34.6 | 339.8 | -4.5 |

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

n/a: temporarily unavailable, see text.

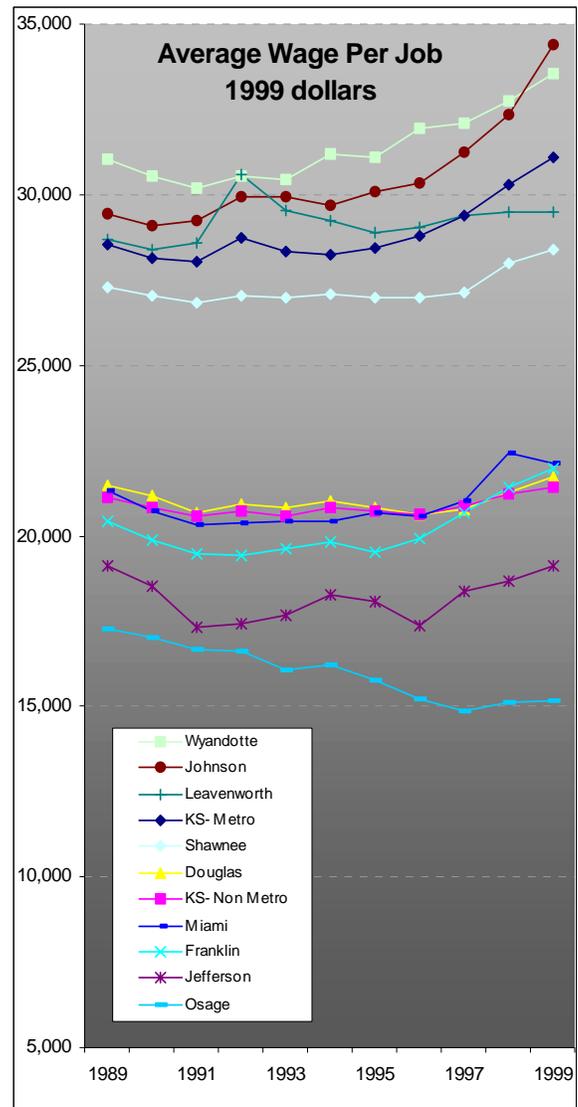
Sources:

- 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
- Office of the Zoning Division, Douglas County Public Works
- Building Inspection Department, City of Lawrence

INFLATION ADJUSTED AVERAGE WAGE PER JOB IN NORTHEASTERN KANSAS COUNTIES

The chart below lists average wages per job for several counties, adjusted for inflation by conversion to 1999 dollars using the national Consumer Price Index (CPI). The conversion means the wages listed below are not the actual income amounts workers received in past years, but are rather what those past incomes would have been worth in 1999. If one were to look simply at the actual (nominal) wages for the same time-span they would perceive those wages to be steadily increasing over time. Failing to take into account inflation, however, consigns such an observation to little use. The fact that a worker's nominal wages go up every year does not necessarily indicate he or she is better off, for if inflation increased rapidly at the same time, his or her actual buying-power could quite possibly have decreased. Osage county is a prime example: its nominal wage increased 18 percent over the last decade, but in real terms (adjusted for inflation) the current wage in Osage is 12 percent less than it was ten years ago.

The real wage in Douglas county has changed very little over time: only 1.2 percent between 1989 and 1999. Compared to the other northeast Kansas counties, Douglas county's average wage comes in fifth out of nine. The highest average wage is \$33,526 in Wyandotte county, which is nearly \$12,000 more than in Douglas. The average wage per job in Douglas county is almost exactly the same as it is for all non-metro areas of the state.



| Inflation Adjusted Dollars | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | % Change 1989-1999 |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------------|
| KS- Metro | \$28,158 | \$28,041 | \$28,719 | \$28,344 | \$28,227 | \$28,436 | \$28,779 | \$29,401 | \$30,302 | \$31,073 | 8.9% |
| KS- Non Metro | 20,836 | 20,594 | 20,733 | 20,575 | 20,806 | 20,729 | 20,616 | 20,865 | 21,248 | 21,435 | 1.5 |
| Douglas | 21,189 | 20,688 | 20,943 | 20,821 | 21,030 | 20,807 | 20,646 | 20,789 | 21,271 | 21,749 | 1.2 |
| Franklin | 19,870 | 19,480 | 19,417 | 19,620 | 19,849 | 19,542 | 19,945 | 20,679 | 21,447 | 21,985 | 7.6 |
| Jefferson | 18,512 | 17,296 | 17,397 | 17,655 | 18,252 | 18,091 | 17,390 | 18,353 | 18,686 | 19,143 | 0.1 |
| Johnson | 29,074 | 29,246 | 29,963 | 29,935 | 29,707 | 30,073 | 30,340 | 31,238 | 32,351 | 34,401 | 16.9 |
| Leavenworth | 28,395 | 28,579 | 30,588 | 29,564 | 29,233 | 28,888 | 29,039 | 29,402 | 29,484 | 29,494 | 2.8 |
| Miami | 20,749 | 20,320 | 20,356 | 20,428 | 20,443 | 20,655 | 20,566 | 21,013 | 22,452 | 22,139 | 3.7 |
| Osage | 17,002 | 16,669 | 16,601 | 16,090 | 16,242 | 15,744 | 15,227 | 14,850 | 15,100 | 15,181 | -12.1 |
| Shawnee | 27,024 | 26,822 | 27,058 | 27,010 | 27,105 | 26,969 | 26,996 | 27,117 | 27,992 | 28,398 | 4.1 |
| Wyandotte | 30,566 | 30,175 | 30,520 | 30,449 | 31,187 | 31,093 | 31,956 | 32,099 | 32,734 | 33,526 | 8.0 |

Source: U.S. Bureau of Economic Analysis