

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

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

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Lawrence/Douglas County Economic Indicators

Second Quarter, 2002

The Lawrence economy moved ahead lethargically in the third quarter. Seasonally-adjusted figures indicate that since last year, sales tax and transient guest tax collections declined or were stagnant, total number of jobs remained steady, unemployment claims grew slightly, home buyers purchased less, and total new construction projects were fewer, though on average more expensive. Overall the declines were mild and in some ways even encouraging, given the steeper slowdown on the national and state levels.

LOCAL SALES TAX COLLECTIONS

Lawrence and Douglas County both experienced a rise in sales tax collections in the third quarter, but this had more to do with seasonal trends than long-run increases in spending by local residents. Probably a good deal of it was from returning students spending on back-to-school supplies. Since the third quarter of last year collections were actually down for both the city and the county, but only slightly so (-0.4 percent for Douglas and -0.9 for Lawrence). This indicates that neither incomes nor people's proclivity for buying has increased this year.

TOURISM AND CONVENTIONS

Third quarter transient guest tax collections fell 7 percent for the quarter and were down 2 percent from the same time a year ago. Third quarter tourism activity is usually down slightly every year though, and with such indicators perhaps a better figure to look at would be the growth rate of the four-quarter average, which isn't seasonally influenced. By that measure, tourist activity as quantified through transient guest taxes grew one-tenth of one percent for the last year. While not a decline, it shows the tourist industry in Lawrence is in most ways stagnant so far this year.

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

Civilian labor force nearly always decreases in the third quarter as temporary summer employees leave their work to return to classes at the universities. This year, of those potential workers in the labor force who returned to school a higher percentage of them were unemployed, and so of those left in the labor force the unemployment rate actually dropped concurrently with employment. From the second quarter to the third, the civilian labor force in Douglas County fell 3 percent from 58,816 to 57,073; the number of employed dropped 2.9 percent; and the unemployment rate decreased 0.5 percent to a quarterly average of 4.34. Compared to last year at that time, however, employment in the county was actually up nearly five percent.

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, not the number of people within the county who are employed for some of them may hold jobs in other counties. In this regard the total number of jobs available in Douglas County fell 4.6 percent from the second quarter to the third, with the only advances being in Construction and Finance. This latter is especially encouraging, since it marks the second straight quarter employment has increased in the Finance, Insurance and Real Estate sector after three years of steady declines. Numbers-wise, the Retail sector lost the most number of jobs since the second quarter (133); percentage-wise the Wholesale sector lost the most (6.7 percent).

For the year, total place of work employment remained very nearly unchanged, though individual

sectors did gain and lose. Services gained the most jobs (767) while Retail lost the most (500).

JOB SERVICE CENTER

Nominal third-quarter initial unemployment claims for Douglas county fell 384 from the second quarter, a decrease of 32 percent. Factoring out seasonal effects paints a slightly different story, one where unemployment claims remained fairly steady since the second quarter and where it would be fair to say more people were entering unemployment this year than the same time a year ago.

CONSTRUCTION

The total number of building permits taken out in Lawrence for the third quarter of this year were down both since last quarter and last year. This is somewhat typical of third quarter construction activity; total projects begun are somewhat less than other times of the year, but overall value of construction jobs increase. In this case, the number of permits taken out since the second quarter were nearly 6 percent less, while their value was 6.2 percent more. All of the dollar increase came from new business and commercial construction, as firms often find it more efficient to undertake building projects in the summer months. Value of all new business permits stood at \$11.2 million for the third quarter, a 400 percent increase from the previous quarter but slightly down since last year. Major projects began include a \$4 million start to the Home Depot on 31st street and a \$2.6 million speculative building in the East Hills Business Park. Business remodels and additions grew 5 percent since last year to \$3.9 million in the third quarter, the primary project being a \$1.5 million project to add several small retailers to the Hy-Vee center on 6th street.

In the unincorporated areas of the county both residential and business construction activity were up, for the quarter as well as the year. In terms of dollar values of permits, residential building increased the most, by 14 percent from third quarter of last year and 48 percent from the previous quarter.

HOME SALES

Due to a change in data sources, information on numbers of single family homes sold as well as ACCRA prices are not comparable to previous reports. The new data comes from the Douglas County Appraiser's office, and a historical time-series has been generated to replace previous calculations. One advantage is that a total record of home sales is now available, as opposed to only those recorded through the Multiple Listing Service.

The total number of all used or new single family homes sold in Lawrence for the third quarter came to 333, a significant decrease from the 565 which changed hands in the second quarter. Like many indicators, home purchasing decisions are influenced by season, with the majority occurring in the second quarter. The seasonally-adjusted figure still indicates that home sale numbers were lower this year than last, but by a modest 3 percent.

In the past the ACCRA home price has exhibited high variability stemming from the small sample size of comparable homes available from the MLS. We now use a specialized regression formula to estimate the price of the ACCRA home given specific, detailed parameters. In the third quarter of this year a new, ACCRA-defined home typical of upper-lever managers would have cost \$244,152 within Lawrence. This was nearly 7 percent higher than the same home would have sold for a year prior. The historical trend using this approach shows more subdued price variations, with the pattern over the long run indicating about 6 percent growth each year over the last decade.

ELECTRIC UTILITIES

Residential utility meters experienced their predictable peak in the third quarter. The electric utility counts the number of meters owned each month as the number for Lawrence, so in August when a large number of rental properties change hands, thousands of meters are counted twice. We can still see a pattern of growth, however, if we compare third quarter totals to the third quarter of last year: doing so indicates there are 2.5 percent more this year than last. Commercial meters continued the slow growth which has been unabated for years, while industrial meters remained steady.

Total kilowatt-hours also always peak for the year in the third quarter as residents respond to summer heat with air conditioning. Real growth unrelated to weather is indicated by the 4.3 percent increase in electricity consumption compared to a year ago.

Lawrence/Douglas County Economic Indicators
Third Quarter, 2002

	Current Period (3q02)	Previous Period (2q02)	Percent Change %	Year Ago (3q01)	Percent Change %
SALES TAX REVENUE (Thousands of Dollars) (note 1)					
Douglas County Sales Tax Collections	\$2,903	\$2,683	8.2	\$2,914	-0.4
Lawrence Sales Tax Collections	\$2,657	\$2,433	9.2	\$2,681	-0.9
TOURISM & CONVENTIONS					
Transient Guest Tax	\$115,863	\$124,390	-6.9	\$118,339	-2.1
Rolling Quarterly Average	\$111,800	\$112,419	-0.6	\$111,710	0.1
CIVILIAN LABOR FORCE (note 2)					
Total Civilian Labor Force	57,073	58,816	-3.0	54,537	4.7
Total Employment	54,598	56,253	-2.9	52,118	4.8
Unemployed	2,474	2,564	-3.5	2,420	2.2
Civilian Unemployment Rate	4.34%	4.36%	-0.5	4.44%	-2.3
EMPLOYMENT (note 3) (Quarterly averages)					
Nonfarm Wage & Salary Employees	49,400	51,767	-4.6	49,467	-0.1
Manufacturing	5,433	5,500	-1.2	5,500	-1.2
Construction & Mining	2,567	2,500	2.7	2,667	-3.8
Transportation & Public Utilities	1,900	2,000	-5.0	2,000	-5.0
Wholesale Trade	933	1,000	-6.7	1,000	-6.7
Retail Trade	10,300	10,433	-1.3	10,800	-4.6
Finance/Insurance/Real Estate	1,600	1,567	2.1	1,600	0.0
Services	13,500	13,467	0.2	12,733	6.0
Government	13,167	15,300	-13.9	13,167	0.0
Farm Employment	567	567	0.0	533	6.2
JOB SERVICE CENTER (Quarterly totals)					
Initial Unemployment Insurance Claims	813	1,197	-32.1	795	2.3
IU Claims, rolling 4-quarter average	1,131	1,126	0.4	865	30.8

note 1: 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, 2002

	Current Period (3q02)	Previous Period (2q02)	Percent Change %	Year Ago (3q01)	Percent Change %
CONSTRUCTION (Lawrence)					
Total Number of Building Permits	852	904	-5.8	926	-8.0
Single Family	63	92	-31.5	81	-22.2
Multifamily	47	23	104.3	41	14.6
Number of Units	159	229	-30.6	112	42.0
New Business/Commercial	11	5	120.0	13	-15.4
Total Value of All Permits (Thousands of dollars)	\$43,035	\$40,518	6.2	\$36,081	19.3
Single Family	\$12,974	\$14,849	-12.6	\$11,122	16.7
Multifamily	\$11,539	\$14,579	-20.9	\$6,697	72.3
New Business/Commercial	\$11,226	\$2,244	400.2	\$11,634	-3.5
Business Remodels/Additions	\$3,930	\$4,877	-19.4	\$3,747	4.9
All Other (note 4)	\$3,366	\$3,969	-15.2	\$2,881	16.8
CONSTRUCTION (Douglas County unincorporated)					
Total Number of Building Permits (all types)	131	216	-39.4	143	-8.4
New Residential	21	18	16.7	17	23.5
New Business/Commercial	7	5	40.0	6	16.7
Total Value of All Permits (Thousands of dollars)	\$7,506	\$6,001	25.1	\$6,676	12.4
New Residential	\$4,574	\$3,100	47.5	\$4,005	14.2
New Business/Commercial	\$118	\$599	-80.3	\$401	-70.6
NEW & EXISTING HOME SALES					
Single Family Homes Sold	333	565	-41.1	442	-24.7
Single Family Homes, rolling 4-quarter average	361	389	-7.2	372	-3.0
Price of ACCRA-defined Home	\$244,152	\$232,375	5.1	228,445	6.9
ELECTRIC UTILITIES (City of Lawrence)					
Average # Residential Meters	38,184	36,766	3.9	37,270	2.5
Average # Commercial Meters	4,410	4,401	0.2	4,285	2.9
Average # Industrial Meters	22	22	0.0	22	0.0
Total Kilowatt Hours Used (Millions)	338.3	235.7	43.5	324.5	4.3

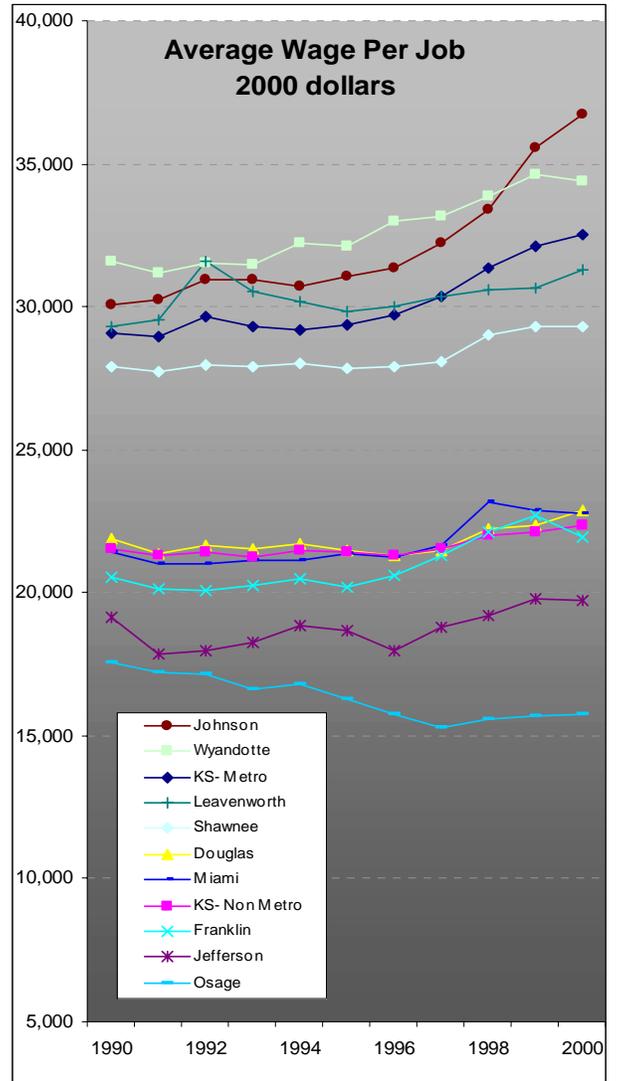
note 4: Includes the value of permits for signs, plumbing, electrical, mechanical, accessory structures, detached garages business and residential demolition, and swimming pools.

Sources:

Douglas County Appraiser's Office
Kansas Department of Revenue
Kansas Power & Light
Labor Market Information Services, Kansas Department of Human Resources
Lawrence Convention and Visitors Bureau
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 2000 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 2000. 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 10.3 percent less than it was ten years before.



The real wage in Douglas county has changed slightly over time: 4.5 percent between 1990 to 2000. Compared to the other northeast Kansas counties, Douglas county's average wage came in fifth out of nine in 2000. The highest average wage was \$36,723 in Johnson county, nearly \$14,000 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	2000	% Change 1990-2000
KS- Metro	\$29,091	\$28,970	\$29,670	\$29,283	\$29,163	\$29,379	\$29,733	\$30,378	\$31,336	\$32,086	\$32,503	11.7%
KS- Non Metro	21,526	21,276	21,420	21,257	21,495	21,415	21,299	21,528	21,976	22,127	22,382	4.0
Douglas	21,891	21,374	21,637	21,511	21,727	21,497	21,330	21,453	22,217	22,376	22,876	4.5
Franklin	20,528	20,125	20,061	20,270	20,507	20,190	20,606	21,323	22,148	22,683	21,967	7.0
Jefferson	19,126	17,870	17,973	18,240	18,857	18,690	17,966	18,780	19,170	19,775	19,745	3.2
Johnson	30,038	30,215	30,956	30,927	30,692	31,069	31,346	32,254	33,407	35,537	36,723	22.3
Leavenworth	29,336	29,526	31,601	30,543	30,202	29,845	30,001	30,364	30,566	30,644	31,269	6.6
Miami	21,437	20,993	21,031	21,105	21,120	21,340	21,248	21,658	23,172	22,858	22,736	6.1
Osage	17,566	17,221	17,151	16,623	16,780	16,265	15,732	15,284	15,574	15,682	15,755	-10.3
Shawnee	27,919	27,710	27,954	27,905	28,003	27,863	27,890	28,106	29,027	29,327	29,336	5.1
Wyandotte	31,578	31,175	31,531	31,458	32,221	32,123	33,014	33,156	33,843	34,613	34,388	8.9

Source: U.S. Bureau of Economic Analysis