

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

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

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Lawrence/Douglas County Economic Indicators

Second Quarter, 2001

While population continues to grow and, hence, housing and other construction, Lawrence and Douglas county are showing the signs of a slowing economy. Sales and guest tax collections are below average as consumers and vacationers have tightened their belts. Employment in every sector of the economy save Government was lower in the second quarter than it was a year ago. The unemployment rate continued its slow but steady upward climb as businesses also did some tightening and chose to operate with fewer employees to cut costs.

LOCAL SALES TAX COLLECTIONS

Sales tax collections in the second quarter fell about 10 percent from the first quarter in both Lawrence and Douglas county. A second quarter decrease is fairly typical, but this year the degree was more pronounced than in the past. This can probably be attributed to the general malaise surrounding the much-talked about economic slowdown, which has made many consumers more wary of spending.

TOURISM AND CONVENTIONS

Transient guest tax collections were up considerably from the first quarter, from \$75,114 to \$122,126 in the second quarter. However, second quarter collections have historically always increased as spring heralds the beginning of traveling season. Looking at the four-quarter rolling average gives us a more long-term view of the trend in tourism, and it shows an eight percent decrease from the value last year. In fact, the rolling average amount of collections has been declining consistently for the last two years. Even as more hotels are being built in Lawrence, the current long-term trend is for fewer visitor stays. Presumably the trend will be ameliorated somewhat by the impact of the new Kansas City speedway.

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

The unemployment rate in Lawrence crept up yet again in the second quarter, to 4.05 percent. The number of people unemployed stood at 2,265 which was a 9.6 percent increase over the second quarter of last year, or roughly 200 workers. While the labor force shrank from a year ago, the number of employed grew smaller yet, hence the increased unemployment. The very slow but steady deterioration of labor force conditions in Lawrence is a reflection of trends seen much more dramatically nation-wide. On the positive side, a 4.05 percent unemployment rate is still quite low compared to the average for the last decade, and furthermore is very acceptable compared to the increases other less fortunate communities have experienced of late.

The labor force for the second quarter of 2001 stood at 56,004 in Lawrence, which was nearly three percent less than it had been a year ago. The number of employed for the quarter was 53,739, and the number of unemployed in Lawrence 2,265. This was an increase of 23 unemployed people since the previous quarter.

Also available online at: <http://www.ku.edu/cwis/units/pri/publicat/publicat.shtml> - local

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 in Lawrence. Every sector save Government saw decreases in employment in the second quarter compared to their values a year ago. The Government sector grew 2.5 percent, or by 366 jobs.

Of the other industries, Retail Trade lost the most numbers-wise last year, dropping from 11,400 employees in the second quarter of 2000 to 10,833 for the second quarter of this year, a difference of 567 workers. These numbers are somewhat hard to reconcile with what seems to be an ever increasing number of retail establishments in Lawrence. The effect has probably not been so much from that of businesses closing as of businesses getting by with fewer employees.

While all the other sectors also saw declines for the year, a few were up from a quarter ago. The Construction sector is a good example; employment there increased 18 percent from the first quarter of this year to the second. That is simply because as the weather warmed up more construction jobs were begun. And while Construction employment did decline for the year, it was only by 1.3 percent.

Last quarter I noted the Wholesale Trade and the Finance, Insurance, and Real Estate sectors had been experiencing long term employment shrinkage. In the second quarter FIRE employment increased a slight two percent, the first growth that industry has seen since the beginning of 1999. As for employment levels in Wholesale Trade they remained steady for the quarter. In other words, employment in these sectors may have reached a bottoming-out point, but a few more quarters will be needed to show whether their long-term decline streak has ended.

JOB SERVICE CENTER

While initial unemployment claims for Douglas County always decline in the second quarter as new construction jobs open up, the decrease has historically always been greater than the seven percent fall in claims which occurred from the first quarter of this year to the second. That is why the four-quarter rolling average actually shows a 9 percent increase for the quarter, and a 15.4 percent hike in unemployment claims from a year ago. Second quarter initial claims stood at 838.

CONSTRUCTION

The total value of all construction permits in Lawrence was \$42.4 million in the second quarter, an increase of about 45 percent from a year ago. The higher levels can be attributed primarily to several expensive business remodels, including a \$7.5 million permit taken out for alterations to K-Mart. The number of multifamily units, all duplexes, is also continuing to grow. Duplex construction in the second quarter was up 450 percent from the level seen a year ago. Almost as many duplex permits have been taken out in the first six month of this year as were taken out for the entire year of 1996, when a record 122 duplexes were constructed.

Single family home permits stood at 93 for the second quarter, a somewhat lackluster showing compared to the last few years. It was an 18 percent decrease from the 113 single family permits taken out last year.

On the business front in Lawrence, 8 new business permits were issued in the first quarter, with a combined value of only \$2.64 million. No exceptionally large projects were begun; most of the permits were for small retailers.

Construction in the county areas outside Lawrence saw increases compared to last year in residential construction. However, data for the first quarter of 2001 are not available, so quarterly trend comparisons can not be made.

NEW AND EXISTING HOME SALES

The number of single family homes sold (not built) in Lawrence for the second quarter of 2001 was 410, an increase of 122 percent from the previous quarter and 16 percent from a year ago. In fact, it was the quarterly record holder for the highest number of single family homes sold ever. The second highest quarterly amount was 403 in the third quarter of 1997.

The price of an ACCRA-defined home in the second quarter for Lawrence was \$226,923. This was about seven percent less than it had been for the first quarter, and the first decline seen in about two years. However, the ACCRA home price was still up 8.5 percent from last year at this time. 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 growth in the ACCRA price reflects trends in the rest of the local housing market.

ELECTRIC UTILITIES

The total number of kilowatt-hours used in the first quarter in Lawrence was 241 million, which was a relatively large decline of 7.5 percent from the previous quarter, and a 5.5 percent drop from a year ago. While the biggest determinant of electricity usage is the weather, which was acceptably mild in the second quarter, the decline may also have been partly due to consumers wishing to conserve in the face of rising energy costs.

Both the number of residential and commercial meters grew the same 1.7 percent from their levels in the first quarter. Residential meters always grow in the spring since that is when most new homes are usually purchased, but the number of meters is also up 2 percent from a year ago, reflecting the general, not seasonal, growth of population and housing in Lawrence.

Lawrence/Douglas County Economic Indicators
Second Quarter, 2001

	Current Period (2q01)	Previous Period (1q01)	Percent Change %	Year Ago (2q00)	Percent Change %
SALES TAX REVENUE (Thousands of Dollars) (note 1)					
Douglas County Sales Tax Collections	\$2,682	\$2,985	-10.1	\$2,770	-3.2
Lawrence Sales Tax Collections	\$2,447	\$2,729	-10.3	\$2,365	3.5
TOURISM & CONVENTIONS					
Transient Guest Tax	\$122,126	\$75,114	62.6	\$119,567	2.1
Rolling Quarterly Average	\$112,031	\$111,392	0.6	\$121,863	-8.1
CIVILIAN LABOR FORCE (note 3)					
Total Civilian Labor Force	56,004	55,882	0.2	57,480	-2.6
Total Employment	53,739	53,640	0.2	55,413	-3.0
Unemployed	2,265	2,242	1.0	2,067	9.6
Civilian Unemployment Rate	4.05%	4.01%	1.0	3.60%	12.5
EMPLOYMENT (note 4) (Monthly averages)					
Nonfarm Wage & Salary Employees	49,233	48,667	1.2	50,233	-2.0
Manufacturing	5,267	5,300	-0.6	5,700	-7.6
Construction & Mining	2,600	2,200	18.2	2,633	-1.3
Transportation & Public Utilities	1,400	1,433	-2.3	1,400	0.0
Wholesale Trade	1,100	1,100	0.0	1,133	-2.9
Retail Trade	10,833	10,800	0.3	11,400	-5.0
Finance/Insurance/Real Estate	1,700	1,667	2.0	1,900	-10.5
Services	11,600	11,633	-0.3	11,700	-0.9
Government	14,733	14,533	1.4	14,367	2.5
Farm Employment	500	467	7.1	600	-16.7
JOB SERVICE CENTER (Quarterly totals)					
Initial Unemployment Insurance Claims	838	898	-6.7	571	46.8
IU Claims, rolling 4-quarter average	815	748	9.0	706	15.4

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: Banks, Savings & Loans and Credit Unions have been combined in this category, with 7 local institutions reporting.

note 3: Place of Residence figures, Douglas County.

note 4: Place of Work figures, Douglas County.

Lawrence/Douglas County Economic Indicators
Second Quarter, 2001

	Current Period (2q01)	Previous Period (1q01)	Percent Change %	Year Ago (2q00)	Percent Change %
CONSTRUCTION (Lawrence)					
Total Number of Building Permits	1,061	588	80.4	846	25.4
Single Family	93	62	50.0	113	-17.7
Multifamily	44	62	-29.0	8	450.0
Number of Units	88	239	-63.2	62	41.9
New Business/Commercial	8	7	14.3	9	-11.1
Total Value of All Permits (Thousands of dollars)	\$42,392	\$41,697	1.7	\$29,288	44.7
Single Family	\$12,235	\$8,613	42.1	\$14,837	-17.5
Multifamily	\$6,789	\$14,437	-53.0	\$3,323	104.3
New Business/Commercial	\$2,637	\$7,363	-64.2	\$3,674	-28.2
Business Remodels/Additions	\$16,746	\$9,617	74.1	\$4,039	314.6
All Other (note 5)	\$3,985	\$1,667	139.0	\$3,415	16.7
CONSTRUCTION (Douglas County unincorporated)					
Total Number of Building Permits (all types)	173	n/a	-	159	8.8
New Residential	29	n/a	-	25	16.0
New Business/Commercial	3	n/a	-	3	0.0
Total Value of All Permits (Thousands of dollars)	\$7,978	n/a	-	\$5,099	56.5
New Residential	\$6,489	n/a	-	\$4,081	59.0
New Business/Commercial	\$535	n/a	-	\$85	529.4
NEW & EXISTING HOME SALES					
Single Family Numbers	410	185	121.6	353	16.1
Price of ACCRA-defined Home	\$226,923	\$243,389	-6.8	209,220	8.5
ELECTRIC UTILITIES (City of Lawrence)					
Average # Residential Meters	35,811	35,202	1.7	35,134	1.9
Average # Commercial Meters	4,240	4,168	1.7	4,177	1.5
Average # Industrial Meters	23	23	1.3	28	-17.7
Total Kilowatt Hours Used (Millions)	241.1	260.6	-7.5	255.2	-5.5

note 5: 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
 Financial information from phone survey of 7 local institutions
 Office of the Zoning Division, Douglas County Public Works
 Building Inspection Department, City of Lawrence

EMPLOYMENT CHANGES IN NORTHEASTERN KANSAS CITIES

2000 was a year of employment declines for the state of Kansas and every northeastern city observed here. This is a clear indication of the economic downturn the nation has experienced and which will likely be continued for the entirety of 2001 as well.

Of the selected cities shown here, Lawrence lost the most employment in 2000, both percentage-wise and in absolute numbers. From 1999 to 2000, Lawrence shed 1,158 jobs, or nearly three percent of the total number of workers in 1999. The harsh nature of this change is somewhat amended when we look at the decade performance in Lawrence. Doing so we observe that after Olathe, Lawrence gained more workers since 1990 than any other city, seeing its employment grow a remarkable 24 percent in ten years.

On the flip side Kansas City seems to have fared the worst the last ten years. Not only did it lose employment in 2000, but the number of workers in 2000 was 1,363 less than it possessed in 1990. Of all the selected cities, Kansas City was the only one to experience employment declines for the entire decade; slightly over two percent. The next slowest growing city was Topeka; it gained almost five percent employment over the same time period.

The State of Kansas as a whole lost employment in 2000 totaling about 32,000 jobs, the first time annual employment fell since 1991. State growth for the decade registered in at 11.5 percent.

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 the 1990 census 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>.

Count	1996	1997	1998	1999	2000
Kansas City	63,022	64,656	65,460	66,380	65,559
Lawrence	38,666	40,438	42,010	43,417	42,259
Leavenworth	13,015	13,402	13,856	14,235	14,058
Manhattan	19,725	20,290	20,700	20,695	20,373
Olathe	40,728	42,985	44,789	46,843	46,263
Topeka	62,120	62,074	63,130	63,751	62,988
Kansas	1,288,000	1,326,000	1,364,000	1,391,000	1,359,000

Source: Kansas Department of Human Resources

Differences	1997	1998	1999	2000	90-2000
Kansas City	1,634	804	920	-821	-1,363
Lawrence	1,772	1,572	1,407	-1,158	8,146
Leavenworth	387	454	379	-177	1,952
Manhattan	565	410	-5	-322	1,634
Olathe	2,257	1,804	2,054	-580	10,394
Topeka	-46	1,056	621	-763	2,802
Kansas	38,000	38,000	27,000	-32,000	140,000

% Changes	1997	1998	1999	2000	90-2000
Kansas City	2.59%	1.24%	1.41%	-1.24%	-2.04%
Lawrence	4.58%	3.89%	3.35%	-2.67%	23.88%
Leavenworth	2.97%	3.39%	2.74%	-1.24%	16.12%
Manhattan	2.86%	2.02%	-0.02%	-1.56%	8.72%
Olathe	5.54%	4.20%	4.59%	-1.24%	28.98%
Topeka	-0.07%	1.70%	0.98%	-1.20%	4.66%
Kansas	2.95%	2.87%	1.98%	-2.30%	11.48%

