

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

**Lawrence / Douglas County
Economic Indicators Report
Third Quarter 2000**

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Lawrence/Douglas County Economic Indicators

Third Quarter, 2000

Third quarter indicators show the Douglas County and Lawrence economy still moving forward, but at a somewhat slower pace than the last year. The unemployment rate was as high as it has been in two years and sales tax collections fell rather short of historical trends. On the other hand, total building activity in Lawrence was at a record high, even with a decline in home construction stemming from a shortage of lots.

STATE SALES TAX COLLECTIONS

The state's sales tax collection processing revision has finally been completed. According to the Kansas Department of Revenue, the new system changes "how sales tax information was captured off the sales tax returns, as filed by retailers. These changes have made for improvements in the reporting of state tax collection data. In the prior system, several types of sales were only captured at a statewide level. These include sales by public utilities, telecommunication companies, contractors, and non-fixed location businesses. The new system captures return data by county for all sales." Unfortunately, the time required to gather this information is of such a length as to preclude its inclusion here on a quarterly basis. It will therefore only be reported in the annual summary.

LOCAL SALES TAX COLLECTIONS

Sales tax collections are a direct result of local spending. That spending typically increases in the third quarter, especially in August, as students and parents spend for back-to-school clothing and supplies. A national survey done by American Express in August predicted that back-to-school spending this year would increase 20 percent over 1999 levels. However, that trend apparently skipped Lawrence or else other decreases off-set it, as third quarter sales tax collections for Lawrence fell 7.2 percent from a year ago. Nevertheless, third quarter collections were up \$113,000 from last quarter, a 4.8 percent increase.

Douglas county sales tax collections not only defied the American Express prediction but also bucked the typical third quarter trend, decreasing 4.5 percent from last year and 1.5 percent since the second quarter. Douglas county third quarter sales tax collections have never decreased from second quarter values since the tax was first implemented in 1995. This occurrence is an indication that the local economy is slowing down from its record high levels set in 1999.

TOURISM AND CONVENTIONS

Transient guest tax collections were up a mere \$56 for the third quarter at \$119,624. This was a decrease of nearly 18 percent from last year, but the rolling 4-quarter average shows a slightly more mild decrease of about 14 percent for the year.

FINANCIAL INSTITUTIONS

Third quarter loans in Lawrence grew at a much slower rate in the third quarter, increasing only .8 percent compared to last quarter's 3 percent growth. This, coupled with the first decrease in deposits in a year (minus .6 percent) and it appears that local consumers decided to rely less on borrowed funds and spend more of their own money.

Also available online at: www.ku.edu/cwis/units/pri/publicat/publicat.shtml#local

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

Third quarter employment, as well as the labor force, typically decrease as summer jobs end and students return to school. This year was no exception, with employment in Douglas county falling 2.8 percent in the third quarter and the labor force shrinking 2.7 percent. Unemployment remained nearly unchanged, with seven new jobs added in the third quarter. Changes since the third quarter of 1999 show growth in all areas: the labor force grew 3.4 percent while employment was close behind at 2.8 percent. Unfortunately, since employment didn't grow at the same rate as the labor force, the unemployment rate also increased, from 3.2 percent for the third quarter of 1999 to 3.7 percent for the third quarter of this year.

WAGE AND SALARY EMPLOYMENT (Place of work data)

There were no real surprises for Douglas county in third quarter industry employment figures. Jobs in the construction and mining sector grew the most, up 7.6 percent from last quarter and 9 percent for the year. This was certainly to be expected given the record level of building activity taking place the last few months. Manufacturing jobs also continued to grow impressively, expanding 6.3 percent from the third quarter of 1999. On the other hand, employment in the government sector dropped nearly 14 percent for the quarter. While this may seem drastic, it was actually quite usual, as the University, the biggest government employer in Douglas county, always downsizes in the summer. Farm employment also dropped significantly since last year, down 100 jobs to 567. A possible explanation was the drought, which may have caused decreased harvesting efforts as farmers waited until later in the season.

JOB SERVICE CENTER

Initial unemployment claims for Douglas county were up to 594 for the third quarter, a 4 percent increase from the previous quarter. The four-quarter average, which eliminates seasonal effects, shows unemployment claims up a hefty 34 percent from last year.

CONSTRUCTION

Single family permit numbers in Lawrence were down 5.4 percent since the third quarter of last year, indicating a cooling of housing growth due mostly to the lack of suitable lots on which to build. Multifamily permit numbers were up 212 percent from the last quarter, but these have traditionally been erratic and have only increased 8.7 percent for the year. The majority of the third quarter increase in multifamily permits came from a series of new duplexes being built on the northwest side of town. New business permit numbers in Lawrence were at 12 for the quarter, up only 3 from last quarter. When put into perspective this actually seems good: the record high for new business permits in the last decade was 14, and the average only 7.5. Among some of the new business permits was a 3.6 million dollar permit for the Wakarusa Corporate Center office building on 18th and Wakarusa, and a 2.75 million dollar permit granted to Reuter Organ to build a new facility. Reuter Organ has actually been in Lawrence since 1919, but has just now needed to expand. However, the truly big story for third quarter building in Lawrence was the approval of a 39 million dollar business addition permit to renovate the wastewater treatment plant on east 8th street. The project is the city's largest ever by far, and is expected to take about two years to complete. Over-all, the total number of building permits issued in Lawrence for the third quarter was a record high 897.

The value of building permits was at an all time high for the unincorporated areas of Douglas county as well, although in this case the leap was caused not by commercial activity but by an increase in the value of residential home sales. There were 23 residential building permits issued in the third quarter with a value totaling \$5,598,000. This implies a quarterly average house price of \$243,000, which was higher than the average house price in any other quarter by \$80,000. Six of the 23 homes sold cost over \$300,000, and the most expensive went for \$860,000.

NEW AND EXISTING HOME SALES

Single family home sales in Lawrence fell 5 percent this quarter, the first time a decrease has been seen in a third quarter since 1993. Potential explanations for the drop are the increased costs of borrowing due to six interest rate hikes in the last year, the ever-rising price of new homes, and the most likely culprit, a shortage of housing lots on which to build. In fact, according to a Lawrence Journal World article on October 12th, area builders have complained of having too few lots on which houses in the \$100,000 to \$140,000 range could be built. This is the range into which the majority of new homes in Lawrence currently fall.

The ACCRA house price for this quarter was \$229,935, up 2 percent for the quarter and 9 percent since the new pricing definitions went into effect in October of 1999. While dollar comparisons with previous years are not possible, a 9 percent growth for the first three quarters of a year is historically quite high. The ACCRA defined house is designed to be representative of houses owned by those earning incomes in the top 20% in the area.

ELECTRIC UTILITIES

At nearly 340 million, total kilowatt hours for the quarter were at their highest levels ever, reflecting both the growth of users in Lawrence as well as the record high temperatures experienced in the third quarter. Residential meters continued to grow very consistently by increasing 2 percent for the year, and commercial meters grew a similar 2.3 percent for the year. Industrial meters, on the other hand, fell 10.6 percent for both the quarter and the year, from 28 to 25 meters. However, the number of industrial meters has historically been very erratic.

Lawrence/Douglas County Economic Indicators

Third Quarter, 2000

	Current Period (3q00)	Previous Period (2q00)	Percent Change %	Year Ago (3q99)	Percent Change %
SALES TAX REVENUE (Thousands of Dollars) (note 1)					
State Sales Tax Collections	n/a	n/a	-	n/a	-
Douglas County Sales Tax Collections	\$2,729	\$2,770	-1.5	\$2,859	-4.5
Lawrence Sales Tax Collections	\$2,478	\$2,365	4.8	\$2,670	-7.2
TOURISM & CONVENTIONS					
Transient Guest Tax	\$119,624	\$119,568	0.0	\$145,487	-17.8
Rolling Quarterly Average	\$115,398	\$121,863	-5.3	\$133,859	-13.8
FINANCIAL INSTITUTIONS (Thousands of Dollars)					
Bank & S&L Net Loans (note 2)	\$540,547	\$536,387	0.8	\$486,808	11.0
Bank & S&L Deposits	\$699,284	\$703,661	-0.6	\$662,210	5.6
CIVILIAN LABOR FORCE (note 3)					
Total Civilian Labor Force	55,918	57,480	-2.7	54,099	3.4
Total Employment	53,858	55,413	-2.8	52,366	2.8
Unemployed	2,060	2,067	-0.3	1,734	18.8
Civilian Unemployment Rate	3.68%	3.60%	2.2	3.20%	15.0
EMPLOYMENT (note 4) (Monthly averages)					
Nonfarm Wage & Salary Employees	48,067	50,233	-4.3	46,700	2.9
Manufacturing	5,667	5,700	-0.6	5,333	6.3
Construction & Mining	2,833	2,633	7.6	2,600	9.0
Transportation & Public Utilities	1,467	1,400	4.8	1,467	0.0
Wholesale Trade	1,200	1,133	5.9	1,200	0.0
Retail Trade	11,233	11,400	-1.5	10,800	4.0
Finance/Insurance/Real Estate	1,833	1,900	-3.5	2,000	-8.4
Services	11,467	11,700	-2.0	11,767	-2.5
Government	12,367	14,367	-13.9	11,533	7.2
Farm Employment	567	600	-5.5	667	-15.0
JOB SERVICE CENTER (Quarterly totals)					
Initial Unemployment Insurance Claims	594	571	4.0	485	22.5
IU Claims, rolling 4-quarter average	733	706	3.8	546	34.2

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
Third Quarter, 2000

	Current Period (3q00)	Previous Period (2q00)	Percent Change %	Year Ago (3q99)	Percent Change %
CONSTRUCTION (Lawrence)					
Total Number of Building Permits	897	846	6.0	742	20.9
Single Family	70	113	-38.1	74	-5.4
Multifamily	25	8	212.5	23	8.7
Number of Units	112	62	80.6	96	16.7
New Business/Commercial	12	9	33.3	8	50.0
Total Value of All Permits (Thousands of dollars)	\$75,708	\$29,288	158.5	\$38,925	94.5
Single Family	\$9,506	\$14,837	-35.9	\$10,947	-13.2
Multifamily	\$5,495	\$3,323	65.4	\$5,070	8.4
New Business/Commercial	\$10,771	\$3,674	193.2	\$10,913	-1.3
Business Remodels/Additions	\$45,839	\$4,040	1034.6	\$9,877	364.1
All Other (note 5)	\$4,096	\$3,415	19.9	\$2,117	93.5
CONSTRUCTION (Douglas County unincorporated)					
Total Number of Building Permits (all types)	131	159	-17.6	110	19.1
New Residential	23	25	-8.0	23	0.0
New Business/Commercial	2	3	-33.3	5	-60.0
Total Value of All Permits (Thousands of dollars)	\$6,815	\$5,099	33.7	\$4,707	44.8
New Residential	\$5,598	\$4,081	37.2	\$2,722	105.7
New Business/Commercial	\$9	\$85	-90.0	\$870	-99.0
NEW & EXISTING HOME SALES					
Single Family Numbers	335	353	-5.1	381	-12.1
Price of ACCRA-defined Home (note 6)	\$229,935	\$225,457	2.0	n/a	n/a
ELECTRIC UTILITIES (City of Lawrence)					
Average # Residential Meters	36,537	35,134	4.0	35,873	1.9
Average # Commercial Meters	4,193	4,177	0.4	4,099	2.3
Average # Industrial Meters	25	28	-10.6	28	-10.6
Total Kilowatt Hours Used (Millions)	339.8	255.2	33.2	316.9	7.2

note 5: Includes the value of permits for signs, plumbing, electrical, mechanical, accessory structures, detached garages, business and residential demolition, and swimming pools.

note 6: Price comparisons can not be made prior to the 4th quarter of 99 due to changes in the ACCRA definition of a house

Sources:

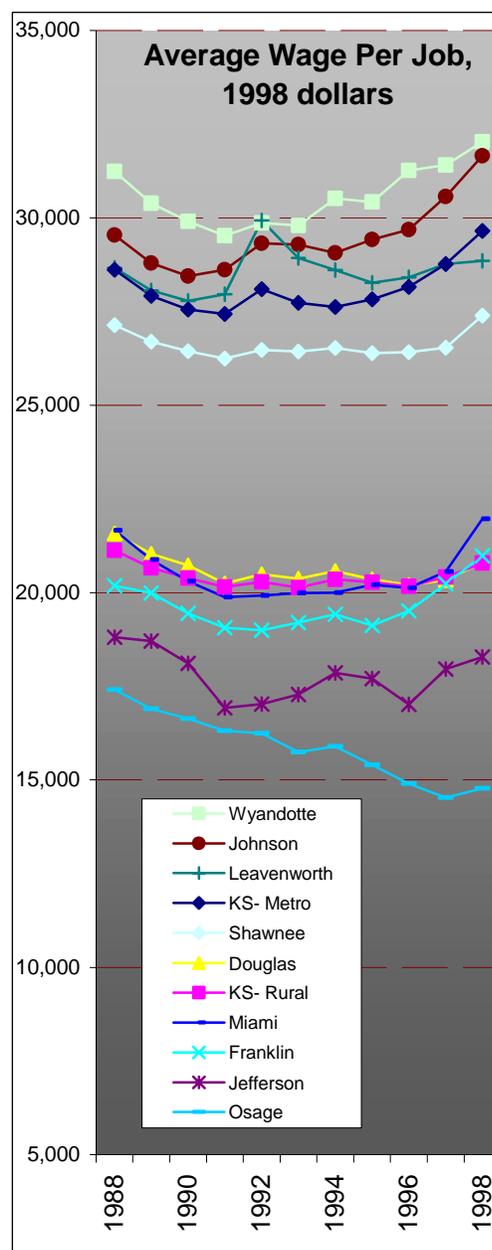
Kansas Department of Revenue
 Kansas Power & Light
 Lawrence Board of Realtors
 Labor Market Information Services, Kansas Department of Human Resources
 Lawrence Convention and Visitors Bureau
 Financial information from phone survey of 7 local institutions
 Office of the Zoning Division, Douglas County Public Works
 Building Inspection Department, City of Lawrence

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 1998 dollars using the national Consumer Price Index. 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 1998. If one were to look simply at the actual wages for the same time-span, they would perceive those wages to be steadily increasing, year after year. Failing to take into account inflation, however, consigns such an observation to little use. The fact that a worker's wage goes 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. This is certainly the case for Osage county, where the actual average wage increased over \$2,000 from 1988-1998 (not shown), while the *inflation-adjusted* wage fell a bleak 15 percent over the same time period. This latter reality is illustrated rather noticeably on the graph at right.

Likewise, the average wage a worker actually received in Douglas county increased from \$15,661 in 1988 to \$20,815 in 1998 (again, not shown.) Unfortunately, adjusting for inflation exposes an adjusted average wage which has fallen 3.5 percent for the decade (yellow line at right), and even worse, deteriorated over 10 percent since 1969. This means the average worker in the late 60's could buy more with his income of \$5,220 a year than the average worker in 1998 could with his income of \$20,815. In absolute terms, the adjusted average wage has also been considerably lower in Douglas county than it has for its neighbors to the northeast. However, the predominance of student held, often part-time, low-to-minimum wage jobs undoubtedly drags the average down, perhaps causing one to be slightly misled as to the true state of well-being in Douglas county. Nevertheless, in terms of change, the historical decrease in the inflation-adjusted wage is somewhat dispiriting.

The large spike in Leavenworth county's adjusted wage in 1992 is somewhat unusual. A similar spike was seen in other small counties around the nation where an Army base was a primary employer (Ft. Knox, KY, Ft. Sill, OK and Ft. Bragg, NC.)



Inflation Adjusted Dollars	1990	1991	1992	1993	1994	1995	1996	1997	1998	% Change 1988-1998
KS - Metro	\$27,554	\$27,440	\$28,103	\$27,736	\$27,622	\$27,827	\$28,162	\$28,771	\$29,652	3.6%
KS - Rural	20,389	20,152	20,288	20,134	20,359	20,284	20,174	20,418	20,792	-1.6
Douglas	20,735	20,244	20,494	20,374	20,579	20,361	20,203	20,343	20,815	-3.5
Franklin	19,444	19,062	19,001	19,199	19,424	19,123	19,517	20,235	20,987	4.0
Jefferson	18,116	16,926	17,024	17,277	17,861	17,703	17,017	17,960	18,285	-2.8
Johnson	28,451	28,619	29,321	29,293	29,070	29,428	29,690	30,568	31,657	7.2
Leavenworth	27,786	27,966	29,932	28,930	28,606	28,269	28,417	28,772	28,852	0.6
Miami	20,304	19,884	19,920	19,990	20,004	20,212	20,125	20,562	21,971	1.4
Osage	16,638	16,312	16,245	15,745	15,893	15,406	14,901	14,531	14,776	-15.1
Shawnee	26,444	26,246	26,478	26,431	26,523	26,391	26,417	26,536	27,392	0.9
Wyandotte	29,910	29,528	29,865	29,796	30,519	30,426	31,270	31,411	32,032	2.5

Source: Bureau of Economic Analysis