

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

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

Prepared by:

**Luke Middleton
Research Economist**

June 2001

**Steven Maynard-Moody
Interim Director, Policy Research Institute
The University of Kansas**

Lawrence/Douglas County Economic Indicators

First Quarter, 2001

First quarter indicators show the Douglas County and Lawrence economy beginning to slow down, as national forces start to make themselves felt locally. Guest tax collections were down for the year. Employment was down and unemployment up. The average unemployment rate for the first quarter was 4 percent, the highest it has been in three years (though still relatively low historically.) The only sector of the economy which seems impossible to slow down considerably is the construction market. While it appears there are still problems getting single-family structures built at the same rate as in the last few years, the difference has been more than made up by the record building of multifamily units, mostly duplexes.

LOCAL SALES TAX COLLECTIONS

Sales tax collections in the first quarter have not followed predictable historical patterns, but have decreased as many times as increased. In the first quarter of 2001, collections for both the city and the county decreased from the fourth quarter of 2000, but were up compared to their values a year ago. In Lawrence, average first quarter sales tax collections were \$2,729,366, an increase of 2.9 percent from the first quarter of 2000. Douglas county collections for the first quarter were \$2,984,539, which was a similar 2.8 percent increase from the previous year.

TOURISM AND CONVENTIONS

Transient guest tax collections stood at \$75,114 in the first quarter, a decrease of nearly 43 percent from their values in the fourth quarter of last year. However, guest tax revenues are nearly always lower in the first quarter than the rest of the year, since that is the time of least tourist activity. Since guest taxes are so seasonal, it is often more interesting to look at their rolling four-quarter averages. This index takes out any seasonal effects. In this case, the rolling quarter average for the first quarter was down 4.5 percent from the previous quarter and its value was 13 percent less than it had been a year ago. This indicates that tourist activity in Lawrence is on the decline. What happens the next few quarters will tell whether the trend is a long run occurrence or if it reverses itself.

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

Unemployment in Lawrence increased significantly in the first quarter of 2001. The unemployment rate stood at a quarterly average of 4 percent with 2,242 people unemployed. Quarterly unemployment rates above 4 percent have not been seen in Lawrence since the summer of 1998, though prior to that time much higher rates were the norm. The effects of the slowing national economy are finally being seen locally, but again, it should be noted that current unemployment levels are still quite respectable from a historical perspective, and are several points below the decade average.

The labor force for the first quarter of 2001 stood at 55,882, which was a slight 1 percent less than it had been a year ago. The number of employed for the quarter was 53,640, and the number of unemployed in Lawrence 2,242. This was an increase of 254 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. In the first quarter of 2001 only one sector grew from its level in the previous quarter, the Government sector. It's increase was a very small 0.5 percent, and can be explained by the return to work of university employees who took time off for Christmas.

While the rest of the sectors saw employment decreases, for many such an occurrence in the first quarter was actually business as usual. The Construction and Mining sector is a good example of a seasonal employer. Employment in Construction decreased 17.5 percent from the fourth quarter of 2000, but compared to its value at the same time last year employment has actually increased slightly, and one fully expects that any losses it saw in the first quarter will quickly be regained in the second, when temperatures rise and the housing market heats up. However, some sectors have seen some significant declines which are not fully explained by seasonality. Employment in the Manufacturing sector fell an unusually large 6.5 percent in the first quarter, shedding 367 jobs. The decrease was the largest quarterly drop in the sector ever. Taking into account activity in the Manufacturing sector over the past few years this recent decrease seems to coincide with what appears to be a general, long term slowing down trend. Two other sectors whose recent employment decreases are continuations of prolonged declines are the Wholesale Trade and the Finance, Insurance, and Real Estate sectors.

JOB SERVICE CENTER

Initial unemployment claims for Douglas county were down 30 from the last quarter to 898 in the first quarter of this year. Unemployment typically decreases slightly in the first quarter as milder weather sets in. Nevertheless, compared to a year ago unemployment claims are up 4.4 percent. This tells us that the unemployment level, while still following seasonal trends, is higher this year than it was last.

CONSTRUCTION

The total value of all construction permits in Lawrence was nearly \$42 million in the first quarter, an increase of 13 percent from the previous quarter and 24 percent from a year ago. The higher levels can be attributed primarily to growth in multi-family structures, mostly duplexes. 62 multi-family permits were taken out in the first quarter, the second highest quarterly total ever. (The most was 98 permits in 1996.) The value of those 62 permits totaled almost \$14.44 million. That was a 134 percent difference from a year ago. Builders are banking on the high prices of single family homes to make duplexes more attractive to young, prospective homeowners. Only 62 single family permits were taken out in the first quarter of 2001, a decrease of 20.5 percent from 2000. There has been hope that recent interest rate cuts may stimulate the Lawrence home market, but so far this year the economic slowdown or the lack of available lots has prevailed.

On the business front in Lawrence, 7 new business permits were issued in the first quarter, with a combined value of \$7.36 million. Among the largest projects were a \$1.45 million dollar permit for a new fire station on Harper, a \$1.16 million dollar permit for the Montessori daycare center on Clinton Parkway, and a \$900,000 permit for the Old Navy being constructed on south Iowa.

Information on construction in the unincorporated areas of Douglas county was temporarily unavailable for the first quarter.

NEW AND EXISTING HOME SALES

Single family home sales fell 24 percent in Lawrence compared to the previous quarter, to a total of 185. However, home sales always fall in the first quarter and so such a decrease is not alarming. Compared to the number of single family homes sold last year the amount has actually increased 3.4 percent.

The price of an ACCRA defined home in the first quarter for Lawrence was \$243,389, the highest ever. That value is 6 percent higher than it was a quarter ago and over 15 percent higher than a year ago. 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 steady growth in the ACCRA home price over the last year indicates an as-of-yet-unflagging demand for high priced homes in Lawrence.

ELECTRIC UTILITIES

The total number of kilowatt hours used in the first quarter in Lawrence was 261 million. That amount was nearly unchanged from the previous quarter, but was about 8 percent higher than the 241 million used in the first quarter of last year. The increase from last year can be nearly entirely attributed to growth in residential use. The number of residential meters in Lawrence increased 655 from last year to a total of 35,202 in the first quarter of 2001. In comparison, commercial meters increased by only 2 from last year, to a total of 4,168.

Lawrence/Douglas County Economic Indicators
First Quarter, 2001

	Current Period (1q01)	Previous Period (4q00)	Percent Change %	Year Ago (1q00)	Percent Change %
SALES TAX REVENUE (Thousands of Dollars) (note 1)					
Douglas County Sales Tax Collections	\$2,985	\$3,073	-2.9	\$2,902	2.8
Lawrence Sales Tax Collections	\$2,729	\$2,853	-4.3	\$2,651	2.9
TOURISM & CONVENTIONS					
Transient Guest Tax	\$75,114	\$131,262	-42.8	\$96,146	-21.9
Rolling Quarterly Average	\$111,392	\$116,650	-4.5	\$128,213	-13.1
CIVILIAN LABOR FORCE (note 3)					
Total Civilian Labor Force	55,882	57,693	-3.1	56,400	-0.9
Total Employment	53,640	55,705	-3.7	54,327	-1.3
Unemployed	2,242	1,988	12.8	2,073	8.2
Civilian Unemployment Rate	4.01%	3.44%	16.6	3.68%	9.0
EMPLOYMENT (note 4) (Monthly averages)					
Nonfarm Wage & Salary Employees	48,667	50,500	-3.6	48,733	-0.1
Manufacturing	5,300	5,667	-6.5	5,567	-4.8
Construction & Mining	2,200	2,667	-17.5	2,167	1.5
Transportation & Public Utilities	1,433	1,500	-4.5	1,400	2.4
Wholesale Trade	1,100	1,167	-5.7	1,200	-8.3
Retail Trade	10,800	11,233	-3.9	10,833	-0.3
Finance/Insurance/Real Estate	1,667	1,800	-7.4	1,900	-12.3
Services	11,633	12,000	-3.1	11,467	1.4
Government	14,533	14,467	0.5	14,200	2.3
Farm Employment	467	500	-6.6	500	-6.6
JOB SERVICE CENTER (Quarterly totals)					
Initial Unemployment Insurance Claims	898	928	-3.2	860	4.4
IU Claims, rolling 4-quarter average	748	738	1.4	688	8.7

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
First Quarter, 2001

	Current Period (1q01)	Previous Period (4q00)	Percent Change %	Year Ago (1q00)	Percent Change %
CONSTRUCTION (Lawrence)					
Total Number of Building Permits	588	663	-11.3	583	0.9
Single Family	62	44	40.9	78	-20.5
Multifamily	62	18	244.4	19	226.3
Number of Units	239	38	528.9	116	106.0
New Business/Commercial	7	10	-30.0	6	16.7
Total Value of All Permits (Thousands of dollars)	\$41,697	\$36,976	12.8	\$33,688	23.8
Single Family	\$8,613	\$7,587	13.5	\$9,701	-11.2
Multifamily	\$14,437	\$3,069	370.4	\$6,161	134.3
New Business/Commercial	\$7,363	\$17,759	-58.5	\$13,205	-44.2
Business Remodels/Additions	\$9,617	\$5,213	84.5	\$1,675	474.3
All Other (note 5)	\$1,667	\$3,347	-50.2	\$2,947	-43.4
CONSTRUCTION (Douglas County unincorporated)					
Total Number of Building Permits (all types)	n/a	106	n/a	79	n/a
New Residential	n/a	10	n/a	16	n/a
New Business/Commercial	n/a	4	n/a	2	n/a
Total Value of All Permits (Thousands of dollars)	n/a	\$3,158	n/a	\$2,676	n/a
New Residential	n/a	\$1,749	n/a	\$1,886	n/a
New Business/Commercial	n/a	\$233	n/a	\$41	n/a
NEW & EXISTING HOME SALES					
Single Family Numbers	185	244	-24.2	179	3.4
Price of ACCRA-defined Home	\$243,389	\$229,935	5.9	211,110	15.3
ELECTRIC UTILITIES (City of Lawrence)					
Average # Residential Meters	35,202	35,097	0.3	34,547	1.9
Average # Commercial Meters	4,168	4,149	0.5	4,166	0.0
Average # Industrial Meters	23	22	3.1	29	-20.7
Total Kilowatt Hours Used (Millions)	260.6	260.1	0.2	240.6	8.3

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.

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

PER CAPITA INCOME: DOUGLAS AND SURROUNDING COUNTIES, KANSAS 1989-1999

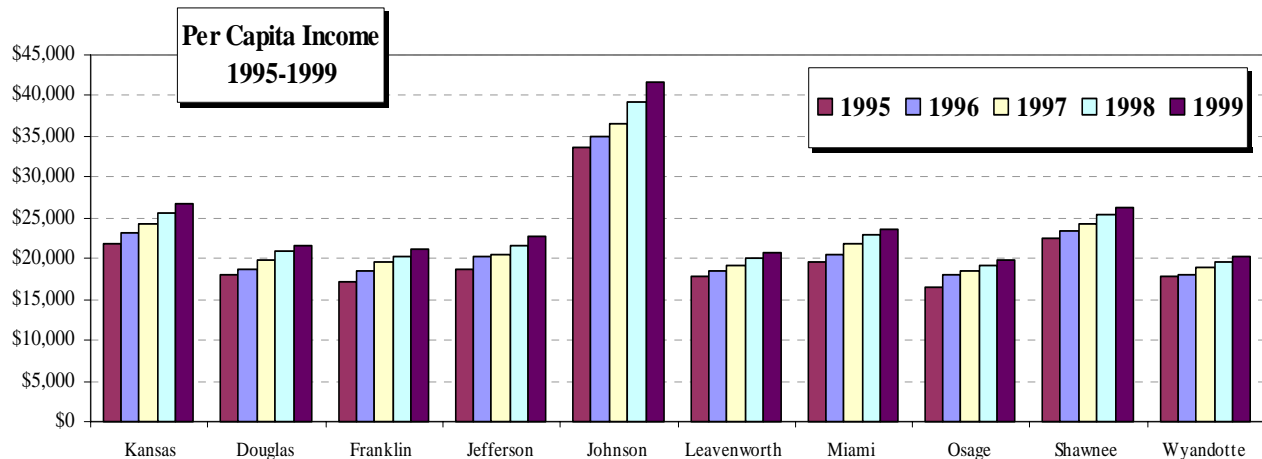
Among the nine comparative counties, Douglas county ranked 5th in per capita income in 1999, the last year for which data is currently available. Also, the Douglas county per capita income in 1999 was about \$5,000 less than the state-wide average. The county with the highest per capita income in

Dollars		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Kansas		17,093	18,182	18,832	19,955	20,510	21,352	21,889	23,121	24,358	25,606	26,705
Douglas		14,357	14,737	15,354	16,254	16,656	17,611	18,050	18,671	19,921	20,896	21,658
Franklin		13,771	13,974	14,494	15,795	15,583	16,513	17,234	18,519	19,569	20,176	21,193
Jefferson		14,767	15,755	16,074	17,393	17,398	18,742	18,665	20,310	20,475	21,641	22,824
Johnson		25,438	26,935	28,166	29,577	30,715	31,882	33,534	34,865	36,627	39,107	41,557
Leavenworth		13,718	14,989	15,240	16,827	16,900	17,641	17,918	18,452	19,169	20,002	20,712
Miami		15,544	15,800	15,930	17,228	17,971	18,770	19,573	20,572	21,747	22,900	23,578
Osage		13,601	14,366	14,339	15,493	15,529	15,951	16,471	18,128	18,467	19,246	19,836
Shawnee		18,321	18,995	19,529	20,409	21,048	21,967	22,546	23,486	24,282	25,457	26,394
Wyandotte		13,672	14,183	14,779	15,759	16,319	17,431	17,866	18,127	18,921	19,646	20,292

% Change		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	89-99
Kansas		6.4	3.6	6.0	2.8	4.1	2.5	5.6	5.4	5.1	4.3	56.2
Douglas		2.6	4.2	5.9	2.5	5.7	2.5	3.4	6.7	4.9	3.6	50.9
Franklin		1.5	3.7	9.0	-1.3	6.0	4.4	7.5	5.7	3.1	5.0	53.9
Jefferson		6.7	2.0	8.2	0.0	7.7	-0.4	8.8	0.8	5.7	5.5	54.6
Johnson		5.9	4.6	5.0	3.8	3.8	5.2	4.0	5.1	6.8	6.3	63.4
Leavenworth		9.3	1.7	10.4	0.4	4.4	1.6	3.0	3.9	4.3	3.5	51.0
Miami		1.6	0.8	8.1	4.3	4.4	4.3	5.1	5.7	5.3	3.0	51.7
Osage		5.6	-0.2	8.0	0.2	2.7	3.3	10.1	1.9	4.2	3.1	45.8
Shawnee		3.7	2.8	4.5	3.1	4.4	2.6	4.2	3.4	4.8	3.7	44.1
Wyandotte		3.7	4.2	6.6	3.6	6.8	2.5	1.5	4.4	3.8	3.3	48.4

1999 was Johnson and the lowest was Osage. Although Douglas county is not a rural county, per capita incomes remain low in the county due to the preponderance of low-wage, student held jobs.

Per capita income in Douglas county grew an average of 5 percent a year between 1989 and 1999. The state-wide average annual growth rate was 5.6 percent, and among the comparative counties, Douglas county's growth rate was ranked 6th. Not only does Douglas county have a relatively low per capita income, but the gap between it and the levels seen in other counties is growing.



Source: U.S. Bureau of Economic Analysis