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Dear Client:

At least a dozen state legislatures will raise taxes in the months ahead. A handful of other struggling states are considering increases that may or may not pass. And four additional states will keep taxes the same, but are raiding rainy day funds or other reserves to plug budget holes. While this is going on around the US, Texas Governor Greg Abbott last week signed a bill that cut taxes by more than \$4 billion. Is Texas America's best state economy?

CNN Money thinks so. It picked up current data from the US Commerce Department that said Texas had America's second-fastest growing economy last year with a stellar 5.2% (second only to much smaller North Dakota). The financial website also pointed out the **Lone Star State "managed to keep growing last year despite oil prices crashing."**

It reported the Texas growth story is deeper than just oil and mining and noted that **"many Americans are gravitating to the nation's second-largest state because it offers cheap housing in close proximity to cities as well as ample job opportunities"** (more about that "cheap housing" comment in the next item).

Austin is one of three Texas cities in the Top Five fastest-growing US cities, reported *CNN Money*. Houston and San Antonio are the other two. Citing the wide variety of the state's economy, it pointed out "Texas is producing textiles, food and more these days." And close to home, it said **"real estate and tech picked up the pace too."**

Bolstering the claim the Lone Star State has the nation's best economy, it quoted Wells Fargo economist **Michael Wolf** as follows: "Some of the more recent strength reflects the diversity of the state's economy. **The state's tech sector has ballooned and its transportation industry is growing quickly."**

"It'll take a lot to bring Texas down," claimed *CNN Money*. "Even during the 2008 recession, Texans were not too worried about finding jobs because of the shale gas boom. **Now, despite the weakening energy sector, the Texas economy continues to exude strength."**

By the way, the State Comptroller's office (<http://Comptroller.Texas.Gov>) has just launched a **50-State Scorecard that compares Texas, using a number of measures, to all other states.**

In the face of rising home prices, City of Austin leaders continue to struggle with the question of affordability. As a result, suburban cities in the Austin metro area are seeing an increasing influx of residents taking advantage of the suburb's lower-priced living units. This trend shows no signs of slowing. In fact, official population projections indicate Austin suburbs will grow at the fastest rate in Texas over the next few decades.

The truth behind the reason for the Austin area's population growth cited in the previous story – **“cheap housing in close proximity to cities as well as ample job opportunities”** -- becomes obvious when you analyze the numbers. Of course, there are other reasons people move to an area, such as quality of life, retirement, educational opportunity, recreational choices, proximity to family, etc. But the basics include 1) a way to earn a living and 2) a place to live.

The amazing job growth in the Austin area has been well-documented. And the jobs continue to be created. **So, let's check out the place to live aspect.** The Texas State Demographer has grabbed a yellow pad and a #2 pencil (okay, okay, I know that reference dates us, but what the heck!) and **projected current population growth out to 2050.**

The site of big city Austin, **Travis County is expected to grow 96.3%** by 2050. That's impressive. But you ain't seen nothing yet. Look at the suburban metro counties. Adjacent to Travis County to the *east*, **Bastrop County is expected to grow 267.7%** by 2050. Adjacent to Travis County to the *north*, **Williamson County is expected to grow 367.7%** by 2050.

Now, hang on. Adjacent to Travis County to the *south* **Hays County is expected to grow 424.5%** by 2050. Any way you slice it, this is major growth. Looking at the ten fastest-growing Texas counties by 2050, Bastrop ranks #10, Williamson ranks #4 and Hays tops the state's list at #1.

How do these percentages translate to the actual number of people living there? In 2050, **198,552 people will live in Bastrop County ... 666,963 will live in Hays County ... and 1,554,279 (that's right!) will live in Williamson County.**

Back to *CNN Money's* thesis. With this population pressure, **could the cheaper housing in the 'burbs soon rise in price to where it equalizes with what is happening in the city of Austin?** Not likely. Especially when you consider Round Rock was named in May by NerdWallet as the nation's third most affordable city.

Suburban home prices will increase, if for no reason other than demand. However, there is **more available land for homebuilding in the suburban counties. And that land is less expensive. Also, the development costs are lower than you find in Austin.** Of course, it's a safe bet that home prices will continue to rise in Austin, despite efforts the city makes toward making homes more affordable. **So the ratio/balance between city home prices and suburban home prices will likely favor the suburbs for the foreseeable future.**

Speaking of population growth, Austin is the only double-digit population-growth US city with a *declining* black population. It's not a huge "number" loss, but it is a loss nevertheless. And the move to the suburbs may play a role.

Historically, Austin's black population has been concentrated on the east side of IH35. During Austin's segregated past, schools targeting blacks kept the population in that area. **A "fair housing" ordinance controversy kept homes on the west side of IH35 from being sold to non-whites. Those days are in the past. Non-whites have been assimilated in all parts of Austin to varying degrees.**

Slowly, but surely, blacks have been moving out of the east side of the city. But one reason for the move is not all positive. **Higher property values have raised the cost of living in this largely impoverished area. As a result, many long-time residents are moving.** The east side is becoming gentrified, as older homes are being replaced with newer, more expensive, structures. Businesses have opened and thrived.

The question, raised by the previous story: not only have blacks moved into other parts of Austin, but **have they moved – as have many other residents of Austin -- to the more affordable suburbs *outside* Austin's city limits?** In other words, how much of the loss of the black population in Austin can be attributed to the rising cost of living in the city. There are other reasons, of course, for the black population decline. But how much does affordability play in the equation?

The largest single-year-increase in oil production in US oil age history– which began more than a century ago – occurred in 2014. How's that? Hasn't the "Texiz awl bidness" been hurt in the recent price drop? Not necessarily. One Texas economist has an optimistic perspective.

The pace of activity continues in the oil patch. **Thomas Tunstall**, director of the Institute for Economic Development at UTSan Antonio, says **"additional production is waiting in the wings, with an estimated 3,000 to 5,000 unconventional wells that have been drilled but not completed – yet."** "Unconventional" is the word to describe the fracking technique used so successfully, primarily in South and West Texas.

But the drop in oil prices? Isn't that a problem? Yes, to some extent. But Tunstall says that in large measure **"oil and production companies have been very successful at pushing their costs down in response to lower oil prices."** He said shale projects, such as those in Texas, are much cheaper than conventional drilling efforts. And he said **"shale development costs have the potential to be reduced even further."** As he put it: **"the shale industry has lots of life left in it."** He even suggested that, long-term, shale oil could be competitive with prices as low as \$5 to \$25 per barrel. Today the price is hovering around \$60 per barrel.

Non-military drones are becoming more prevalent each day. In fact, several Austin businesses are pursuing the drone technology. And with this industry expansion, security and privacy concerns are being raised exponentially. So, you just knew it had to happen: companies are coming up with *anti-drone* devices. How do they work?

Private sector drones are small and getting smaller. They are hard to see and their costs are going down. Nearly any amateur can pilot a drone. And they have worthwhile uses. For instance, **camera-carrying drones were used to search the raging Central Texas flood waters for victims during the Memorial Holiday floods.** Drones have been used in the Austin area for surveillance on suspected criminals.

Now, according to a recent issue of *Popular Mechanics*, a handful of new businesses are “stepping up to offer consumer drone detection and mitigation technologies.” One company, DroneShield, sets up a network of acoustic sensors to **identify incoming consumer drones as far away as 1,000 yards.** How do they ID drones? **From the drones’ buzzing sounds alone.** Then it alerts its customers to their presence via text message or email.

DroneShield’s core technology relies on off-the-shelf weatherproof microphones and Wi-Fi hotspots or cellular connections to transmit the acoustic data.

The company claims drones “don’t sound like anything else in the world.”

Okay, then, what can you do if an unwanted drone is detected? Legalities and practicalities of taking down unwanted drones vary greatly on the airspace they are flying through. For instance, if a drone is detected near a nuclear power plant, it could be shot down with a shotgun. For less sensitive areas, you can **call the police if unwanted drones are found hovering.** DroneShield is working on a portable net gun that is basically the size of a flashlight. **It shoots out a net to trap and drop a drone within 50 feet.** More options are likely on the way.

Dr. Louis Overholster heard this news report: “A drone took a photo of a grandmother sunbathing topless. The grandmother was embarrassed. The drone is in critical condition!”

Sincerely,



Editor/Publisher