



Volume 40, Number 17

July 27, 2018

Dear Client:

As the state of Texas goes, so goes Austin. Some think the vice versa is more true. But since Austin is the home of the massive state government that must keep up with the impressive growth of Texas, it's important to examine the economic health of the Lone Star State. Especially as the Texas Legislature will meet in Austin in less than six months for its every-two-years decision-making session. And, legislators will have a lot of money to spread around.

When you think about it, it's really impressive how the amazing Texas economy is churning out enormous amounts of money to run the government. **And, unlike the vast majority of other states, Texas is doing this without a state *income* tax.** The single largest source of revenue for Texas is the General Sales Tax instituted in 1961. **And, get this, the *state* sales tax rate of 6% has not increased since 1990.**

The booming state economy has caused the sales tax source of revenue to zoom almost 10% since last year at this time. As a result, **State Comptroller Glenn Hegar now predicts legislators will have more than \$110 billion (with a "b") to spend during the next biennium -- \$2.8 billion *more* to spend than originally anticipated.**

Now then, enough about mind-numbing big bucks. Let's talk about another economic factor. Separate from the sales tax, Texas has "benefitted from rising oil prices and production," Hegar pointed out. This translates simply into a 2019 balance in the **state's savings account – the "Rainy Day Fund" – growing to almost \$12 billion, the largest ending balance in the state's history.** Talk about economic stability.

Not only that. After voters approved a constitutional amendment in 2015 to increase funding for highways, the adopted formula means **\$2.5 billion will be allocated to highways from collections this 2018 fiscal year.** This is huge. And it is occurring because of the increased sales tax receipts.

At least one group is urging legislators to "buy down some existing taxes" with additional funds. (Explanation: Back in 1992, **the legislature allowed municipalities and special districts, such as transit authorities, to levy local sales taxes.** The maximum municipal rate is 2%. This is why some sales taxes are as high as 8.25%, depending upon the locale.)

There is one important fact that vividly illustrates the dynamic strength of the Austin area economy. It's simply amazing. Take a moment to let this sink in: there are more jobs available right now in the Austin market than the total number of unemployed. By far. It's not even close. Here are the facts and figures.

Do the math. The Texas Workforce Commission last month reported there were **38,092 unemployed** in the 5-county metro area. Okay. Now put that number alongside the number of jobs available at the same time in the same area, as compiled by the Greater Austin Chamber of Commerce. **The total number of jobs, more than 43,000.** Conclusion: there are about **5,000 more jobs than people seeking work.**

The numbers vary somewhat by the methodology used to come to the totals. But, the slight differences are nowhere near enough to change the conclusion. Of course, this situation brings with it a set of unique problems. Such as, those seeking work may not have the skill set for the available jobs. This needs addressing. **But, to reinforce our main point, let's ask one telling question: is there a major metro in the country that wouldn't trade statistical positions with Austin? Enough said.**

After several years of construction frustration to add Express Lanes to the highly-traveled MoPac/Loop 1, it is now six months since the tolled lanes were opened. Remember, the "free lanes" were not reduced. In fact, they were enhanced in the process (new safer surfacing, striping, upgraded lighting, etc.). Okay, but what about usage of the tolled lanes?

The Express Lanes were designed to be used infrequently, only when a motorist needed to travel faster than possible on the free lanes. **During the first six months of operation, there were approximately 597,000 unique users of the tolled portion of MoPac. And, 56% of MoPac drivers used the Express Lane only once during the first six months of its operation.**

Transit and emergency vehicles use the Express Lane without paying tolls.

Vehicles belonging to 130 regional public agencies, including emergency response, fire department, law enforcement and bus/transit vehicles used the Express Lane.

Tolls vary according to usage of the level of traffic. The cheapest average toll of \$0.64 was charged northbound in the morning peak hours and the highest average toll was \$5.94 northbound in the afternoon drive time. **The average weekday toll for full-length north-and-southbound travel was \$1.41.**

One of the criticisms of the toll lanes was that only the rich would need to use the faster alternative. **They were derisively dubbed "Lexus Lanes."** The actual first 6-month experience for vehicle usage tallied thusly: **Ford, 15.2% ... Toyota, 12.7% ... Chevrolet, 10.7% ... Honda, 9% and Nissan, 6.4%.** (Disclosure: we consult with the Central Texas Regional Mobility Authority.)

As downtown Austin explodes with more and more high-rise living units and offices, what is the future of retail downtown? “Without free and easy parking, retail ain’t ever going to happen.” This is a direct quote from Founder and former Publisher of *Texas Monthly* Mike Levy, who started his super-successful publication downtown decades ago and kept it there.

Lamenting the future of retail operations downtown is a continuation of Levy’s concerns raised in this newsletter last week. **You may recall he complained loudly about City of Austin policies that have dramatically curtailed downtown parking.** This is occurring at the same time vehicle lanes have been reduced in favor of dedicated bus and bicycle lanes.

“Within a month of each other, **Brooks Brothers on the southwest corner of 6th and Congress and Keeper’s on the southeast corner both closed their doors,**” he pointed out. “Why come? **Their staffs said they were leaving because of no parking for customers,** who instead go to stores in the Barton Creek Square Mall, the Arboretum and the Domain where parking is free and easy.”

Using what appears to be sensible logic, Levy said “**people are not going to bike, walk or take public transportation to go shopping, especially on days of high Texas heat or low Texas cold or torrential rain.**”

“In the last month alone,” Levy said, “**the City yanked 6-8 parking spaces on Congress at 9th for 17 tables and accompanying chairs so people can sip their lattes from the 7-II.** In 100+ degree heat. I don’t think so. And chairs have already been stolen.” (Tell us how you *really* feel, Mike.)

By the way, **Levy’s credentials as a supporter of downtown are beyond question.** He’s not some gadfly taking up just any cause. He’s walked the walk, so to speak. In addition to building a burgeoning magazine business in the heart of downtown, **he has spent countless volunteer hours advocating for EMS and Fire protection in the area.**

And he’s fearless. As this Levy quote indicates: “Where is the Downtown Austin Alliance in all of this? **They support every single bit of the nonsense because they don’t want to piss off City Hall.**” Vintage Mike Levy.

Quick stats for you to chew on. Wanna make a little local quiz out of this? Okay, list the largest employers, ranked by the number of Austin area W-2 employees as of July 2018. Here’s the list. See if you are surprised by the ranking. Here goes. The largest, first.

H-E-B, 13,756 ... Dell Inc., 13,000 ... St. David’s HealthCare, 10,309 ... Ascension Seton, 9,947 ... Wal-Mart Stores, 7,100 ... Apple Inc., 6,000 ... IBM Corp., 6,000 ... Amazon.com LLC, 4,000 ... NXP, 4000 ... and Samsung, 3,762. (List compiled by the *Austin Business Journal*.)

Some frequent flyers at Austin-Bergstrom International Airport (ABIA) may suffer a slight jolt, especially if dashing to a boarding gate, next week. ABIA is expanding, adding nine new boarding gates in the process. And this requires some adjustments – like renumbering the existing departure gates. The renumbering starts July 31, 2018, changing five gate numbers at a time. It will occur in multiple phases, about every two weeks, until completion that is planned for October 2018. Current air travelers need to allow time to get to the right gate.

All the stuff that is left at Texas airports or is seized by TSA at security checkpoints ends up in Austin. And you can buy any item at rock-bottom prices. CBS Austin reported that a warehouse-type building in East Austin houses the “State Surplus Storefront.” It’s not advertised. But, it’s been there for years and has a lot of bargain-hunting regular customers.

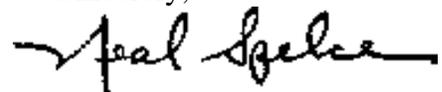
Looking for a replacement for that Swiss Army knife you forget to leave behind when you rushed to the airport? **You may not find your exact knife, but the odds are you’ll find one at a fraction of the price. And thousands of other items – electronics, tools, jewelry, you name it.** A traveler has 30 days to claim an item that never made it on the airplane. If the item is not claimed, it is shipped to the state store in Austin where it is fair game to be acquired.

How many items are available on any given day? Don’t know. **First of all, the space is about 50,000 square feet and it is chock-full of items.** Houston airports seem to be the source of most of the stuff. Most items are priced less than \$5, though jewelry and other similar articles carry a tad higher price tag.

The State Surplus Storefront has to be a treasure hunter’s dream, especially for those who frequent garage sales. At the Storefront, items are brought in daily to 6506 Bolm Road, where the store is open to the public from 8 am to 4:30 pm, M-F. One regular told CBS Austin it is one of Austin’s best-kept secrets, “just don’t tell anybody,” he said on-camera.

Dr. Louis Overholster says when you get sick at an airport it is a Terminal illness (groannn)!

Sincerely,



Editor/Publisher