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Dear Client:

Gasoline prices have ratcheted up to the highest in Texas since 1991. And, what a difference a year makes. If you pay attention to gas prices, you've noticed it's costing you about 30% more this year to fill your car. In January 1999, a gallon of self-serve regular unleaded was selling in Austin for 91 cents. The statewide average was 90 cents.

This week, regular unleaded was selling in Austin for \$1.21. Statewide, the average price was \$1.22 with a high of \$1.27 in Lubbock and a low of \$1.17 in San Antonio. The likelihood is **prices will stay high, and perhaps rise even further.**

When you factor in inflation, prices last January were at their lowest ever, according to AAA Texas. The reason was a huge oversupply. Ministers of the Organization of Petroleum Exporting Countries held an emergency meeting in March and decided to **cut back on production.** Since then, prices have increased steadily.

The ministers met again last week and decided to continue restricting world oil supplies, well into 2000. Oil traders responded by pushing up the per-barrel price of oil to above \$28 – the highest level since the Gulf War 9 years ago. The ministers meet again in March. **High oil prices hurt consumers, but even worse, they could trigger a repeat recession in Asia.** If it's any consolation, Texans are faring a little better than other states. The national average in January 1999 was 97.9 cents. This year, it is \$1.29.

Mortgage rates are creeping above the 8% mark for the first time in at least two years. Rates are hovering in the 8.15% to 8.25% range. And with housing inventory in Austin at a record low, mortgage brokers say the **residential real estate picture is as not as bright as city boosters would have us believe.** This time last year, you could get a mortgage for an interest rate below 7%. In addition, home sales traditionally hit a low in December and January.

The refinance market is dead, brokers say, and will remain dormant until later this year when rates are likely to fall back to 8% or below. Home sales are likely to pick up a little, after Super Bowl Sunday when the football season ends, but **mortgage brokers don't expect a booming business** over the coming months. And they are expecting a **renewed interest in adjustable rate mortgages,** which lost their appeal when fixed rates remained low.

UTSystem Chancellor Bill Cunningham has unveiled an ambitious proposal. Earlier this month he proposed creating nine **flagship** universities within the UTSystem by 2010, **costing \$2.97 billion** in new resources, including \$2 billion in new state general revenue appropriations. The plan would provide programs and resources to accommodate more than **100,000 additional students** by the end of the decade, most of them members of **ethnic minorities** who do not attend college at the same rate as Anglos.

It's a grand plan but the problem is that Cunningham won't be around to push it through. He steps down no later than August this year, but he apparently wants to leave a vision behind by which he will be remembered.

Expect more ideas to come from his office, including a potential long-range plan for the UTSystem's six health science centers. **The reaction to date has been mixed.** The media played down the proposal, with most newspapers expressing skepticism about a costly and difficult project without a leader at the helm.

Cunningham is not alone in proposing ambitious education initiatives. There are just so many issues elected officials can focus on and education is the perennial favorite, followed by technology. Lt. Gov. **Rick Perry** has convened a special committee on 21st century colleges and universities.

The group has met three times, including a January meeting in Richardson where the theme was the use of technology in education. Speakers predicted growing use of the Internet. Not only will classes be offered via the Internet, but higher education degrees also will be offered electronically, speakers said.

Both Lt. Gov. Rick Perry and State Comptroller **Carole Keeton Rylander** have assembled executive high-tech committees that will perhaps help Texas get a handle on its high-tech businesses and get a sense of what high-tech advances could do for the average person.

Perry's group, which has its first meeting 1/31/00 at 2 p.m. in the Senate Chamber, is comprised of high level executives – the likes of **Mike Maples**, a former **Microsoft** vice president, **Michael Capellas**, **Compaq**'s chief executive and **Max Watson**, the head of **BMC Software**. Goals are somewhat lofty: the committee is charged with crafting a blueprint for expanding the state's technology industry, including training a workforce and looking at tax policies.

Rylander's e-Texas commission is more narrowly focused on how technology can make government more efficient. So far, Rylander has sung the same tune over and over again. She talks about drivers licenses and how her commission is going to find ways to see that "Texans **never again have to waste time standing in line** at the local Department of Public Safety office to renew their driver's license." Presumably her recommendations will go beyond driver's licenses and car registration. Education and distance learning were the subject of the first e-Texas hearing that took place 1/26/00 in Corpus Christi.

The Greater Austin Chamber of Commerce departed from its long-standing tradition and decided not to appoint a Chair-Elect. At least, not now. **Mary Scott Nabers** will be formally installed as Chair at the Chamber's annual shindig on 2/1/00, but for the first time, an understudy will not be waiting in the wings.

The business group wants to see where it's headed and how it will regain some of its lost luster, before deciding on its future leadership. In a letter to the membership, Nabers said a "better definition of chamber goals and strategies" is needed before the organization recruits its top volunteer for 2001. Stay tuned as the chamber tries to find its new sea legs.

The Capitol has been buzzing with activity even though it's a year before legislators come back to town. Over the last two weeks, five Appropriations Committee subcommittees have met and asked state agencies for interim reports.

Since 1/1/00, **eight Senate committees** have held hearings on varied issues including the state's **tobacco proceeds, graduate medical education, investments and health services.**

And that's not counting the behind-the-scene moves as agencies, from the Railroad Commission to the Texas Natural Resources Conservation Commission prepare for Sunset review.

Austin attorney Will Davis announced recently he would step down from his long years on the State Board of Education. This week, he was named Educator of the Year by the Texas Association of Business and Chambers of Commerce. State Comptroller **Carole Keeton Rylander** gave Davis the award at the TABCC's annual conference in Austin whose focus was education.

Davis has been a member of the State Board of Education since 1983. He previously served as **President and a Trustee of the Austin Independent School District.** Rylander served with Davis on the AISD board.

Indians and Vietnamese make up the second and third largest group of foreign-born residents in Texas, ranking behind Mexicans. Eleven percent of the state's population, which translates into 2.2 million Texans, was born outside the United States, according to the USCensus Bureau.

California has the largest foreign-born population in the United States, with 25% of its residents born outside the country. New York (20%), Hawaii (18%), Florida (16%), New Jersey (15%) and Arizona (14%) rank ahead of Texas.

Have you noticed the three billboards asking “Could the United States Be Occupied by United Nations Troops?” Painted in bold red, white and blue, they are on IH35 between Dallas, Austin and San Antonio. If you don’t look closely, you could **mistake** the billboards, which features the US flag and a 1-800 telephone number, for a **US Army enlistment poster**.

In fact, the billboard is paid for by the Church of Good Evangelistic Association of Waxahachie claiming to have “absolute proof” that Americans run the risk of becoming slaves to the United Nations. The Texas Rangers and Department of Public Safety ended the Republic of Texas movement, which had similar beliefs, but the fear-mongering clearly has not been quashed.

The Texas 100 stock index, once made up of companies with headquarters in Texas and later changed to include the state’s largest employers, grew last year but not at the pace you would expect — given the booming economy. The index rose 14.9% in 1999, compared with a 25% gain during the same period by the Dow Jones Industrials and 19.5% by Standard and Poor’s 500.

The index was revised this month to reflect changes in its members. For example, two grocery chains, **Randall’s of Houston** and **Tom Thumb of Dallas**, merged and become one when they were acquired by **Safeway**. **United Parcel Service** joined the list as did **Cullen Frost**, the largest remaining publicly traded bank with Texas headquarters, **Columbia HCA Hospital Co.** and **Associates First Capital**. If you **invested \$100** in companies that make up the index in December 1997 when it was created, that investment today would be **worth \$135**.

Dr. Louis Overholster is convinced Prozac was originally invented for parents of teenage drivers!

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