

THE

Neal Spelce

AUSTIN LETTER

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Dear Client:

Last week's revelation from the Travis County Appraisal District that average home values will skyrocket 20% this year is really no revelation at all. Everyone knows Austin is a seller's market in virtually all sectors of town, so TCAD's numbers should come as no great surprise.

But, while increasing home values (and attendant property tax increases) get all the ink, the press tends to overlook the fact that values for Austin's industrial and commercial properties are going up just as fast. That translates into **rising costs of doing business** in Austin and higher prices for goods and services.

While its difficult to quantify these hidden costs, they are clearly having a significant impact on the so-called "**income inequality**" problem in River City. Although experts disagree about the causes and effects of wage disparities between rich and poor, there is one indisputable result of Austin's New Economy.

It is an increasing gap between those who can afford reasonable housing and those who cannot. With the median cost of a home in Austin approaching the mid \$100's, the question becomes not how to close the wage gap, but how to provide enough **affordable housing for the work force** supporting our burgeoning service economy.

That is the conclusion of a recent report published by the Bureau of Business Research at UTAustin. While acknowledging that real income has increased for the bottom 10% of Austin's workforce (20% in the 1990's), the report indicates there is still need for a comprehensive policy to provide more affordable housing, train more people for high-tech jobs, and address the infrastructure and environmental problems created by explosive growth.

The problem is not that the poor are getting poorer in absolute terms, but that the **market conditions are pricing them out of basic needs.**

Obviously, this is more than just the City of Austin can do. The real solutions require coordinated action between the city, county, AISD, UTAustin, ACC, and the state and federal governments. Absent such action, Austin's rapidly growing standard of living will at some point begin to **choke off the very growth that makes real increases at all wage levels possible** to begin with.

Austin School Superintendent Pat Forgione and his elected bosses, the Austin Independent School District Board of Trustees, are facing a major pass-or-fail test. The public school students who took their TAAS exams last week were not tested anywhere near the extent Forgione and his Trustees will be – even though rising tax appraisals will ease the financial pain somewhat.

The true test for the school leaders is how they respond to Comptroller **Carole Keeton Rylander's** five-year plan to improve the financially-strapped and troubled AISD operations at an overall savings to taxpayers of \$57 million. In light of the Comptroller's findings, which were released to the public 4/12/00, Forgione's (apparently unilateral) decision just a week earlier to save \$8 million by ending block scheduling for teachers and classroom instruction becomes even more baffling. With increased income from rising tax appraisals, he made an abrupt about-face this week on block scheduling, but his move still raises serious questions.

Why didn't Forgione wait for the Comptroller's recommendations before taking a step that provoked district-wide protest from students, parents, and teachers?

Perhaps more to the point, one has to wonder why Forgione didn't make the controversial schedule changes part of a larger package of budget reductions that included **similar cuts in administration.**

The super could then have at least argued that both administration and instruction were sharing the pain. Instead, Forgione looked like he was **sacrificing instructional quality so a few administrators could keep their jobs.**

Now, having allowed AISD to take a big hit in terms of credibility, Forgione is faced with the toughest of all political decisions for a superintendent to make: the **closing and consolidation of campuses** to achieve educational efficiency in the face of stagnant enrollment numbers.

The brutal fact of the matter is that Austin's economic growth has fueled big enrollment counts in outlying school districts, but not in AISD.

To make matters worse, some of the most significantly underutilized facilities are in historically minority neighborhoods. This will make any consolidation decisions that much **tougher and politically charged.**

Perhaps Forgione's best way out of this mess is to shift the focus to district administration. Up until now, virtually all of the discussion has been on ways to cut the instruction budget, but the Comptroller's audit specifies a number of money-saving ideas designed to get the top-heavy administrative office under control.

Forgione and the board can start rebuilding public confidence by getting their administrative house in order. Then maybe we can talk about what others will have to sacrifice to get AISD back on its feet.

UTAustin has become the second major state university in the nation to create a learning center for nonprofit organization administrators.

The Center for Philanthropy and Community Service at the LBJ School of Public Affairs opened its doors in January, joining Indiana University's master's program for non-profit administrators. The program culminates an eight-year effort by **Greg Kozmetsky** (RGK Foundation), **Jack Blanton** (chair of the Houston Endowment), and **Curtis Meadows** (The Meadows Foundation) to institute a formal training program for the independent non-profit sector. Meadows, who has been teaching non-profit courses at UTAustin for the past eight years, has been named founding executive director of the Center.

RGK has funded \$250,000 in startup money and has pledged \$5 million in a \$1-for-\$2 challenge grant designed to endow the Center for the future. The Houston Endowment kicked in another \$500,000 to establish an educational concentration in non-profit management at the LBJ School. And **Mrs. Lyndon B. Johnson** and the Johnson Foundation have contributed \$50,000 for the Center at the former President's namesake institution.

According to **Joe Youngblood**, assistant dean at the LBJ School, non-profit organizations now employ one in ten US workers — more than 16.4 million Americans are employed by more than 1.5 million tax-exempt philanthropic and community service organizations. Those numbers are expected to double by 2010 due to the anticipated \$10 trillion asset transfer from the post-World War II generation.

Indiana University's philanthropy program is backed by a \$50 million endowment from home state pharmaceutical manufacturer Eli Lilly & Company. "Non-profits understand the need for efficient and effective business practices, yet **there is little training for non-profit administrators,**" says **Tom Wallace**, Lilly's Austin-based Southwest director of government affairs. "We hope programs such as Indiana's and UTAustin's will educate non-profit administrators to better operate their organizations and better utilize their financial resources."

The Center will service students, professionals employed in the independent sector, and people interested in improving the management of philanthropic and community service organizations.

Property owners, developers and income property investors are delighted with the Austin area's steady demand, short supply and rising rental rates for office, industrial and retail space. NAI/Commercial Industrial Properties' Frank Niendorff reports "those not doing business in the Austin area are chomping at the bit to get into the hot market. Investors, owners and developers with permitted and entitled sites — an increasing rare commodity — are having a hey day as development and investment prices rise to meet market demand. The demand for land is very high."

UTAustin Economist James K. Galbraith told an international panel of experts that full employment in the old economy has brought the new economy to life. He was speaking at a White House conference on the New Economy, chaired by President Clinton.

“In every year since 1993, unemployment has fallen, and real growth has regularly exceeded speed limits widely announced in advance,” Galbraith said. “In almost every year, productivity has accelerated . . . Let us, therefore, set aside shopworn worries, and the self-immolating doctrine of the preemptive strike. If there is a ceiling for growth, or a floor for unemployment, or a limit to this expansion, the truth is that no one knows where they are.”

So, he said, “Why borrow trouble? Why not take a positive view? Full employment and strong growth are great achievements. Let us celebrate and defend them. **Let no one say that the unemployment rate is too low; and, especially, let no one say that the productivity growth rate is too high.**”

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Dr. Louis Overholster told his brash young intern to always be gentle when breaking a serious diagnosis to his patients. But, he warned, please don't tell them: “It looks like your insurance premiums are going to be worth it after all!”

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