

THE

Neal Spelce

AUSTIN LETTER

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Dear Client:

Just because the major business groups are supporting light rail doesn't mean business is united behind the controversial issue. In fact, the major *opposition* to light rail is coming from business people. It's interesting the way this vote has shaped up.

Not only do you have high tech business leaders funneling record amounts of money into the campaign for passage of light rail, but you also have the Greater Austin Chamber of Commerce, the Downtown Austin Alliance and the Real Estate Council of Austin all working hard for light rail. That's a lot of business muscle.

However, arrayed on the other side you have a number of small businesses, individual business leaders and political organizations composed of various business representatives aggressively battling uphill against the **pro light rail forces' mountain of money.**

If money is all it takes, light rail will pass 11/7/00 overwhelmingly. But, as we told you months ago (9/1/00) "while transportation is the issue of most concern to Austinites, don't automatically assume voters will accept the ballot proposals – no matter how much money is spent to persuade them to do so."

We also told you "those who are against an issue – especially issues with high price tags – don't need nearly as much money as the other side to defeat a proposal."
So, don't be surprised if light rail is defeated Tuesday.

Interestingly, residents in the suburbs most opposed to Capital Metro and public transportation – **West Lake Hills, Cedar Park, Pflugerville** – can't vote on light rail because those communities opted out of paying the Capital Metro sales tax long ago.

Speaking of voting, in the presidential election of 1996, 96% of voters told pollsters they planned to vote Election Day. Only 48.8% actually voted. What about this year? Pollsters are being told now, according to the Pew Research Center, 97% of the voters say they will vote. Cut that number at least in half and you've got a realistic picture of what will happen Tuesday. That's why we've told you to keep an eye on the Voter.com Battleground 2000 daily tracking poll. It gives more emphasis to the areas with high voter *turnout* in previous presidential elections.

Four of Texas's ten fastest growing cities of the 1990s were suburbs of Austin. Number 3 was **Cedar Park**, with a 206% growth during the 1990s. Cedar Park counted 27,115 residents in 1999. According to the USCensus Bureau, Number 7 **Round Rock** also more than doubled in size since 1990, growing 113% to a population in 1999 of 67,173.

Number 9 **Georgetown** doubled in size, 101%, to a 1999 population of 32,368. And Number 10 **Pflugerville** reached a population of 11,360 in 1999 – a growth rate of 97%. The Dallas area had five of the Top Ten growth cities, the Houston area, one. Not surprisingly, all of the ten grew primarily because of proximity to big city neighbors.

Austin ranks Number One in the nation in a very key economic indicator – household income growth. Add this to Austin's national Number Two ranking in job growth and no US city matches this measure of an area's economic health. In fact, combining these two stats is much more revealing than taking them separately – as many economists are prone to do.

Job growth is very important. But what *type* job growth is *more* important. For example, Las Vegas leads the nation in employment growth with 6.4%, compared with #2 Austin's 5.8%. On the surface, Vegas looks great. But when you examine Vegas's jobs, you find many of them are low-paying – primarily tourism and service-related positions. The Las Vegas low wage jobs are so prevalent, the city doesn't show up among the nation's leaders in household income growth.

That's where **Austin wins hands-down**, with a tops-in-the-nation 8.4% increase in household income growth, according to Economy.com. Simply put, Austin is not just creating jobs, but higher-paying jobs.

To underscore how important this is, consider: **of the nation's top ten cities in job growth, only Austin ranks in the top ten in household income growth** – and Austin is Number One in that category. This is really significant.

This has not always been the case. Not too long ago, Austin was among the lowest wage cities in the country. There was an abundant workforce (a lot of them UT Austin students and graduates who would work for next-to-nothing just to stay in Austin) and a steady, but not spectacular, growth in the number of jobs. As a matter of fact, one of the pitches made for locating a business in Austin was the city had a highly educated and *affordable* workforce.

Times have obviously changed – and just in time. Along with rising household income, Austinites have experienced a rising cost of living. **The increased household income helps families raise their standard of living in spite of higher prices.** And, if you were lucky (smart!) enough to invest in a home in the Austin area a decade ago, then you've been able to grow a bit wealthier just by sleeping soundly at night in the comfort of your home. The moral to the story: keep an eye on both indicators – job growth, as well as household income growth.

In case you need one more example of the massive amount of wealth recently created in the Austin area, here's a very tangible indicator. Merrill Lynch has a division of the prestigious financial house that concentrates solely on representing families with **more than \$100 million** in investible assets. In other words, it serves only the wealthiest of the wealthy. It has offices in New York, San Francisco and Houston. It will soon open a satellite office in Austin.

The biggest university campus in the nation is on a fast track to become one of the wealthiest public universities in the nation. And Austin stands to be one of the economic beneficiaries. If the current indicators hold true, UTAustin will surpass its \$1 billion capital campaign goal two years ahead of schedule.

The fund-raising effort is less than halfway toward its end-date of 2004, but UTAustin is already counting \$709 million raised toward its goal of \$1 billion. It could easily top the high-water \$1 billion mark by 2002. Obviously, there is a lot of potential money in the fund-raising pipeline because big donations, especially, take time to develop. And you can bet the ranch UTAustin will not shut down the pipeline just because the \$1 billion goal is realized. **Look for the goal to be easily exceeded.**

One reason some very large single donations are still possible comes from the example of Red McCombs record-setting \$50 million contribution that slapped his name in perpetuity on the McCombs College and Graduate School of Business. According to financial planners, **that \$50 million benefit to UTAustin only cost McCombs \$8 million out-of-pocket (spread out over several years)**, after you take into account the complicated tax laws. Even if you scale back the McCombs example, you can see some significant money can flow to UTAustin with advantages to the donor.

The Austin economy stands to benefit long-term from this massive UTAustin effort. The money is being raised to be used on behalf of the 50,000+ student campus. Obviously, most of the earnings on those dollars will be spent on such things as **construction projects, increased faculty and student benefits.**

Those dollars flow through Austin over and over again and, importantly, they are not subject to the ups-and-downs of future economies. **The solid funding becomes part of a recession-proof base** that includes regular UTAustin budget numbers as well as other massive state and local government budgets.

Each Austinite has a very real economic interest in the success of the \$1 billion campaign. Especially when you consider the **effort will be relatively growth-neutral.** Remember, UTAustin has a stated objective to manage student enrollment. In fact, it is trying to reduce the number of students to a more manageable plus-or-minus 48,000. So, the \$1 billion will not result in UTAustin's growth per se; it will enhance the effectiveness of the institution.

Lost in the loud battles for the presidency and whether to implement light rail in Austin is the all-important struggle for political control of Texas. Every ten years, the Texas Legislature is mandated to assess how the population has shifted in Texas during the previous decade and then draw maps for each Congressional, State Senate and State House of Representatives district. It will be the most important task facing legislators when they come to Austin 1/9/01.

Here are the facts from which to start. There are 31 State Senate seats and the **Republicans hold a one-vote majority**. There are 150 seats in the Texas House of Representatives and the **Democrats hold a six-seat edge**. The 181 number will not change. But since our population has grown, and shifted, the 181 boundaries must be re-drawn so each Senate and House seat results in “equal” representation.

How *tricky* is it? And how *political* is it? Consider Travis County, which has grown dramatically and is represented right now by one Democratic Senator. What if, in the process of adding another Senator, parts of Democrat-leaning Travis County were blended with portions of Republican-leaning Williamson County and divided to give more weight to Williamson County? You might get **two Republican Senators, instead of one Democrat and one Republican**. It all depends on where you draw the boundaries. And the boundaries will be set in stone for 10 years.

So which party controls the House and Senate is critical. And, with the current balance of power so close, several tight House and Senate races will make all the difference. It becomes even more important because the Legislature will also re-draw the boundaries for members of Congress. Texas has 30 seats in Congress and may get a couple more due to population growth. The 30 seats are now held by 17 Democrats and 13 Republicans. So, again, the political makeup of the Texas districts could ultimately affect whether Democrats or Republicans control the USCongress. Keep an eye on all this Tuesday night as you watch the Election returns.

Dr. Louis Overholster says he’s amazed at all the spending going on by special interest groups in the presidential election, with most of the effort aimed at tearing down the opponent. “I guess the candidates are following the old adage that if you can’t beat them, arrange to have them beaten!”

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Sincerely



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