

THE

Real Spelce

AUSTIN LETTER

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Dear Client:

Our giant economic engine, UTAustin, has big money woes. The current operating budget is being cut by \$19 million, a hiring freeze is in place and UTAustin is estimating budget reductions of about \$35 million for each of the next two years. This is serious.

We sometimes forget that UTAustin, with 21,000 employees, is the **city's largest employer**, as well as one of the largest in the state. This represents a lot of paychecks that flow through all levels of the Austin economy.

The students (sometimes cursed for their rowdiness and impact on traffic) provide an annual economic boost of **\$544 million into the local economy**. This student spending leads local businesses and their employees to spend another \$1 billion in the Austin area.

UTAustin's economic impact goes way beyond these few stats. Look at all the businesses, especially those in high tech, that are doing business here because of UTAustin and hiring grads. In fact, **John Breier**, the former VP for Economic Development at the Greater Austin Chamber of Commerce, was quoted as saying "Our economy is not based on something taken out of the ground or grown on the ground. **Our economy is based on the intellectual capital created by UT.**"

So, with this dark economic cloud looming over The Forty Acres, is there a possibility the sun may break through? Well, maybe. The Texas Legislature will not settle the next two year budget for UTAustin until May – or later, if there is a special session. The ultimate deadline for a decision is the end of the fiscal year, 8/31/03. Legislators can help by **fully funding UTAustin's budget** and by giving the institution some **financial flexibility**.

What is "financial flexibility?" Well, if legislators allow UTAustin (and other state supported institutions) to **set their own tuition fees**, as well as allowing UTAustin to **keep 100% of its sponsored grants**, this "financial flexibility" results in "found" money that does not come out of the general revenue fund.

UTAustin president **Larry Faulkner** hinted at what may be down the line if funding is not found. He says preserving quality "may come at the price of **reducing the scale of what we do, which may affect the size of the student body**" – the nation's largest on one campus.

Texans rank UT Austin among the nation's best universities – and football may have something to do with this.

It's obvious a winning football team that sells out the football stadium six times a year is good for the Austin area economy. But, it may also enhance the university's overall reputation, according to a recent survey.

It's not just the locals who pack **Darrell K. Royal** Memorial Stadium. UT Austin estimates the **home football games attract about 27,000 out-of-town visitors**. Their spending at local hotels, restaurants, retail stores and for transportation creates a total economic effect of \$14 million per game. The average visitor spends about \$188 per day. This is a nice economic pick-me-up each fall.

And, according to a survey of 1,003 adult Texans of diverse backgrounds from all regions of the state, **UT Austin is most frequently associated with athletics, especially football**. This helped the respondents to rank UT Austin second only to Harvard and Stanford in a list of top schools.

Perceived strengths of UT Austin included **good faculty, good academic programs and good athletic programs**. The survey found there is a virtual consensus (94%) that a degree conferred by UT Austin is highly valued and that the university has a positive impact on the state of Texas.

The survey participants were also given an opportunity to tell president **Larry Faulkner** how to run the university. About 30% of the advice focused on making the university **more affordable through more financial aid and scholarships**. Interestingly, *Kiplinger*, a personal finance and business forecaster in Washington DC, recently completed a study on the quality and cost of 500 colleges and universities in the US. And UT Austin ranked way up there — #29, with in-state tuition, room and board for a year listed at \$14,554. Texas A&M was 51st.

Governor Rick Perry is on the record – strongly – for heavily investing in economic development. The question is whether he can get the legislature to go along.

The governor tells a story about his position. He says there are two ways to get to the top of an oak tree. **“You can climb it or you can sit on an acorn and wait for it to grow.** Texas can't afford to play a waiting game on economic development. **We must be aggressive,**” he says.

Another quote to indicate what he means by aggressive: **“Slow economic times are the right time to invest in jobs and the wrong time to raise taxes.** We can tax our way out or we can grow our way out. There has never been a government that spent its way to prosperity.” Perry is proposing moving \$390 million from the “Rainy Day Fund” into a State Enterprise Fund to boost economic development efforts and create more jobs in Texas.

Now that the filing deadline has passed for the Municipal Election 5/3/03, let's handicap the races for Mayor and the three City Council positions that will be on the ballot.

This is an important election because a **majority of the seven-member mayor/council body is up for consideration by the voters.** Theoretically, there could be a shift in the balance of voting power with this election. But an analysis of who is running for what, shows this would be a highly unlikely result. Let's look at this election, race by race.

Mayor. There is no incumbent mayor in this race (**Gus Garcia** is not seeking re-election), but there is an incumbent city council member seeking a promotion, councilman **Will Wynn**, and he is the favorite in the early handicapping. This race has the potential for the most fireworks. Former council member **Max Nofziger**, who has run and lost previous races for mayor, is running.

But two restaurant operators have the potential to make the most noise. **Marc Katz**, the owner-operator of Katz's Deli, grabbed early headlines with his losing legal challenge of the \$100 campaign donation limit. He has high name ID because he's done his own ads on TV and radio. **Brad Meltzer** owns Benihana restaurant and, on the surface, appears to be a political novice, but this assumption would give short shrift to his chances. Meltzer is already spending his own bucks on campaign advertising and he is so strongly plugged into the Republican Party, he has been honored at a high national level for his work on the GOP's behalf.

The other four candidates – **Leslie Cochran**, **Jennifer Gale**, **Christopher Keating** and **Herman Luckett** – should be also-rans. If the mayor's race heats up, Wynn could find himself in a runoff.

City Council, Place 2. Incumbent **Raul Alvarez** is the early favorite. His strongest challenger appears to be activist **Gavino Fernandez**. The other two, **Steven Adams** and **Brian Parrett**, could be at the back of the pack unless they generate some widespread support.

City Council, Place 5. This is the place being vacated by Winn and has the most challengers in a council race. Attorney **Brewster McCracken** is ahead of the field in the early running – and should remain there when the votes are counted. The rest of the field – **Margo Clarke**, **Scott Marks**, **Jason Pate**, **Robert Singleton**, **Steve Swanson** and **Carl Tepper** – are likely to keep the votes fairly widespread. If McCracken runs as strong a race as he ran last time against two better-known opponents, he might win without a runoff.

City Council, Place 6. Incumbent **Danny Thomas** should defeat **Wes Benedict**.

We'll update you as we go along if there appears to be movement among the candidates.

Quick. Which state includes the city that sells more environmentally sound green power to its utility customers – California or Texas? We're talking actual numbers, not percentages.

Let's keep this in perspective. The Los Angeles Department of Water and Power has a **customer base of 3.8 million**. Last year, it **sold 66,666,000 kWh** of green power. Pretty impressive, huh? Not really.

Austin Energy has a customer base of only 350,000. Yet it **sold 251,520,000 kWh** of green power to Austin Energy subscribers – enough to rank it #1 in the nation in both sales and total megawatts. Texas beat California in this tally hands down, due to Austin Energy's success. LA was #4. Coming in at #2, behind Austin, was the Sacramento Municipal Utility District, selling less than half as much as Austin – 104,344,000 kWh of green power.

What is green power? It is electricity that is generated from clean, renewable sources from the **wind, sunshine, methane gas from landfills and hydroelectricity**. The total renewable energy sold in Austin last year is enough electricity to power almost 21,000 average-sized homes year-round.

Austin Energy's GreenChoice program started in 2000. Since that time it has sold more than 375,000,000 kWh of green power to its customers.

Who are these customers? **Currently, more than 6,500 residents, 165 small businesses and 31 of Austin's largest companies and organizations subscribe to GreenChoice**. The cost: Austin is ranked fourth in the country for offering one of the lowest premiums for green power. And it was one of the first to lock in rates as a hedge against rising fuel prices.

Dr. Louis Overholster was upset at all the stocks he bought for \$1,000 that are now worth in the single digits. On the other hand, he says he bought \$1,000 worth of beer, drank all the beer, then turned in the cans for a 5-cent deposit. He ended up with \$107. Based on that experience his investment advice is to drink a lot of beer and recycle!

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