

THE

Neal Spelce

# AUSTIN LETTER

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Dear Client:

**Because Congressional Redistricting is the main agenda item, the called special session of the Texas Legislature that started Monday should wind up quickly, right? Not necessarily.**

A vast majority of the Senators and Representatives will be wandering around twiddling their thumbs (even though other items are added to the agenda) while a handful of legislators will be most deeply involved in re-drawing Congressional boundaries for Texas. Surely those with nothing to do will want to finish quickly so they can get back to their hometowns and earn a living. Well, that may be true for some of the Republicans, but not most of the Democrats.

The D's know if a redistricting bill passes, it will do their party damage. And the odds are that some measure will pass, due to the R's majority in both houses. So, **it is in the Democrats' best interest to stall, delay and sidetrack as much as they can** — to prolong the debate until the Republicans (and, they hope, the public) get fed up with the process.

Also, look for the Dems to try every possible maneuver to **build a case to later challenge the legislation in court**. They will insist that no procedures be bypassed. And if they are, that will build their case to overturn the measure.

Frankly, the GOP also will try to dot every "i", to ensure the final re-write will pass scrutiny. **So you can look for careful deliberations and the way you spell that is s-l-o-w**. By law special sessions are called for 30-days. Some specials in the past have lasted only a few days, but don't look for that to happen here. In fact, don't be surprised if the Governor is forced to call *another* special session – in the event political machinations get particularly sticky during July.

Delay works for the Dems (notice this is not DeLay, as in Tom!). **The boundaries must be drawn, and approved, before the filing deadline for the next election**. The filing deadline pops up right at year-end. As we told you, there will likely be a court challenge. That will take time, though the courts will be urged to expedite it. Also the **Justice Department will take time to certify that no civil rights are abridged**. But if the R's are successful in drawing lines that only eliminate white males (all Dems), and gain a minority seat or two in the process, the Justice Department should not represent much of a hurdle. However, this takes time. This is why "delay", not DeLay, is on the side of Texas Democrats.

**In one fell swoop, Dallas got the one thing it needed to help secure its long-term economic vitality, and it is patterned after Austin's success model.**

No, we're not talking about Texas Instruments' decision this week to build a \$3 billion chip factory in the Dallas suburbs. We're talking about *what led* to that decision. TI may not have located its new plant in the Dallas area had it not been for the commitment of Gov. **Rick Perry**, local leaders and most importantly the involvement of UT Dallas.

Remember we told you back on 2/28/03 that a new blue-ribbon report on the Dallas-Fort worth economy bluntly stated the **Metroplex didn't have the tools to compete with Austin** in future economic growth.

Specifically, the report – commissioned by the North Texas Future Fund – said Dallas did not have the kind of **relationship between a major research university and the private sector** that can create new companies. It said there was no world-class research university, such as UT Austin, in the Metroplex.

Overnight, literally, this is now changing. Reminiscent of what happened to UT Austin in 1983 when MCC (and later, SEMATECH) located their research facilities in Austin, **UT Dallas is receiving a massive infusion of resources** that will enhance the institution and lead to a synergistic partnership with TI.

Just like UT Austin, when it committed public and private resources to work in partnership with MCC, **UT Dallas is getting \$300 million over the next five years** for this cooperative, high tech effort with Texas Instruments. It is really a boost for UT Dallas.

Look at what those resources will accomplish for UT Dallas. The money will finance endowments for faculty chairs and student fellowships and assistantships, maybe financing up to 400 graduate research positions. A 200,000 sq.ft **Natural Science and Engineering Research Building and Technology Accelerator** will be built for about \$105 million, and another \$30 million will be spent in equipment for the building.

UT Dallas expects to **add 40 faculty members in the engineering school**. It may set aside \$75 million in startup money for laboratory operations, administration and matching funds to attract even more research and development dollars.

UT Dallas now will become the new engine to propel growth throughout the DFW area. Sound familiar? We made a speech back in the early 1980s titled, "If You Want To Stop Growth In The Austin Area, Move The University of Texas to Amarillo!" That's how important UT Austin is to our economy. Now, **UT Dallas and the Metroplex are receiving the same boost Austin and UT Austin enjoyed exactly 20 years ago** (MCC selected Austin after a massive state, local and university wooing effort, in 1983). UT Dallas is moving into the Big Leagues.

**When this year began, UTAustin was racing headlong into major problems. Now just halfway into the year, the institution may have repaired many of those difficulties, and if a few other elements fall into place, Austin's economic engine could stop straining and start purring.**

The two big problems UTAustin faced at the beginning of the year were enrollment and finances. Enrollment was the largest in the nation for any single campus. And the new **"10% Rule"** (where any high school grad in the Top 10% of the senior class is automatically admitted) was threatening to get out of hand by **eliminating many better-qualified students from gaining entrance**. The Top 10% Rule was instituted to help minorities enroll after the Hopwood legal decision prevented UTAustin from using race to determine admissions.

The USSupreme Court now says race, within certain guidelines, *can* be used as a basis for who will be accepted into college. This effectively does away with the original reason for the Top 10% Rule. Yes, the 10% Rule is still in effect. But look for two things to happen: UTAustin will come up with a **new admissions policy that will help minorities**, and it will move to **do away with the Top 10% Rule**. These two steps will help UTAustin manage its enrollment problem.

UTAustin faced financial problems, as did every governmental institution in the state. The Legislature set out to cut budgets and not raise taxes. It accomplished both those objectives in the regular session just ended. UTAustin did not get the budget money for the next two years that it requested. But, **the Legislature took two steps that – in the long run, especially – will help UTAustin immeasurably when it comes to budgeting.**

Amid a fair amount of controversy, legislators gave **UTAustin the authority to set its own tuition rates**. UTAustin has long had a tuition schedule among the lowest in the nation. While, university officials have not yet unveiled the new tuition schedule, tuition rates will begin rising in January – creating a much larger revenue stream than it has enjoyed in the past. This will generate a lot of money.

As a major research institution, UTAustin generates tens of millions of dollars in research grants each year. But, until now, it has had to send a portion of those grant dollars to the State for "overhead." UTAustin officials were successful in persuading the Legislature that this was a "tax" on grants that other institutions did not have to pay, and **convinced legislators to let UTAustin keep 100% of its grant money**. This, too, will greatly increase revenue available to UTAustin.

One of the reasons UTAustin got these concessions: it **kept state officials within their "no new taxes" pledge, yet cranked out needed dollars for UTAustin** – dollars that did not come out of the state's general revenue stream. This doesn't mean all the financial and enrollment problems have been solved on The Forty Acres. Far from it. And while you haven't heard UTAustin backers crowing loudly about their success, you can bet the ranch they are feeling great right now – especially when California and other states are still in dire financial straits.

**Austin's weak air travel market may be showing some signs of recovery. This is important because air travel is an economic barometer.**

As we told you 5/30/03, passenger traffic in April 2003 at Austin-Bergstrom International Airport was lower than the final month of operation at the old Robert Mueller Airport in April 1999. Not a good sign. **But May 2003 showed improvement.** The number of passengers boarding and deplaning moved past the 1999 totals. They are still below the 2000 peak, as well as 2001 and 2002, but the uptick is welcome.

Another sign of a strengthening situation: **Mexicana Airlines adds an additional nonstop to Mexico City 7/7/03**, bringing the total to three weekly departures to Mexico City (less than two hours away from Austin by air).

In addition to Mexico City service, Mexicana Airlines flies to Cancun from Austin, nonstop, twice weekly. All Mexicana flights operate from Gate 2 at Austin-Bergstrom.

Even though May 2003 passenger travel jumped past the 1999 totals, the totals were down 6.16%, compared to last year at this time. And **passenger traffic is down 2% year-to-date**, compared to the previous year. So, there is still a lot of room to grow to get back to where we were during the go-go years.

How are the individual airlines serving Austin doing? **The Big Four Airlines are all down.** Southwest, with a market share of 36.7% of all Austin passengers year-to-date, was down 5% in May. American, with a market share of 25.2%, was down 6%. Continental (11.6% market share) was off 4% and Delta (market share of 8.9%) was down 10%.

Speaking of travel, especially on this holiday weekend, **Dr. Louis Overholster** said, "Whenever I fly to Las Vegas, I always travel light. I've found that one small carry-on is all I really need – providing it's filled with money!"

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Sincerely



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