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Dear Client:

When all is said and done, 2004 should be the best year for the Texas economy since 2000, and Austin will be at the forefront of the Texas upsurge.

The economists in Texas Comptroller of Public Accounts **Carole Keeton Strayhorn's** office are optimistic about Texas's economic recovery in the next two years. They point out "the leading economic indices have been slow to improve, but they are now **predicting renewed growth.**" You may not feel it or see it yet, but it's there.

"Job gains in the remainder of 2003 may be agonizingly small," the economists noted, "but there are solid reasons for optimism that 2004 and 2005 will show a **return to normal economic growth.** While employment growth may not be recovering as quickly as many would like, it is a necessary ingredient for having a truly strong economy."

What else underlies this **increasing optimism**? "Gradual increases in consumer and business confidence, a weakened US dollar (more about that in a minute) and the stimulative nature of the nation's fiscal and monetary policy," they reported. "These improvements gradually will translate into more jobs."

What about Austin in the Texas picture? First, take the basic premise – jobs. The Texas Workforce Commission points out the **Austin metro area is at the top in the state's tally of lowering unemployment and increasing jobs.** No other metro had a lower unemployment rate in September than the Austin area (5.5%) and our metro has 33,900 more people holding jobs now than a year ago.

Even with local and state government cutting jobs, the Comptroller's economists predict that, while it will be at a lesser rate than in the past, **government employment is expected to increase by 1.1% annually in 2004 and 2005.**

The other important element for Austin is the weakened US dollar – because that spurs exports. With Dell's manufacturing facility cranking out products to be sold on the worldwide market being the largest example, the **weaker dollar makes US-made products much more competitively priced with foreign products.** This is good when Dell or others sells products overseas – or in competition here in the US with foreign-made product lines.

Another good sign for Austin, and others whose livelihood depends upon the sale of computers and related hardware/software, harks back to what happened 3/4/5 years ago.

Momentum is picking up as high tech business equipment spending is starting to bounce back. The economists in the office of the Texas Comptroller of Public Accounts report that “in the first quarter of this year, nationwide **investment in computers and peripheral equipment** grew at a 23% annualized rate and rocketed to an even better 54% annualized gain during the second quarter.” Whoa, what’s happening? Has the economy kicked back that strong?

Well, it’s not just the economy. The calendar has a lot to do with this. Many businesses now have to **replace aging equipment put in place during the late 1990s in preparation for the Y2K transition**. Remember that scramble? Just think of all the advances in technology that have taken place since then. As a result, upgrades and replacements are the order of the day for many businesses.

The conclusion? “By 2005, with investment returning with vigor and a markedly stronger export market, **electronics should prove to be one of the fastest growing employment sectors in the state**, at a forecasted growth rate of 7.3%” predicts the Comptroller’s economics team. And with the Austin area’s leadership in this area, it bodes well for us in the near term.

While on the subject of economic items, did we tell you that last month Texas added more jobs than in any month since May of 2000 – 28,500 to be exact? And by the way, California lost 30,000 jobs.

Governor **Rick Perry** made that point over and over on his economic development swing to Washington DC and New York City last week. And he also kicked off a **new \$5 million marketing campaign** – Texas One – to create more jobs.

The governor said the Texas One campaign will be funded through private donations. It will assist public and private efforts to **promote the state’s business climate, skilled workforce, education system and convenient access to emerging markets**. And he also announced new economic development offices in West Texas, Dallas, Houston, San Antonio, El Paso and the Rio Grande Valley.

All of this comes after the state’s economic development functions were merged into the governor’s office 9/1/03, by action of the Texas Legislature. The legislators also created the Enterprise Fund at the request of Perry. The \$295 million fund allows the state to respond quickly and aggressively to opportunities to bring companies and jobs to Texas. The governor said **the state’s aggressive efforts to recruit new businesses and paychecks to the state already are paying off**: “We’re seeing rays of light penetrate the economic storm clouds,” he said. “Texas is now poised to help lead America toward economic recovery.”

We've talked about the State Comptroller and the Governor in this issue — and they've been talking about each other. *Their* comments are not nearly as civil as what we've written.

In fact, when you get right down to it, it sounds as if Republicans **Carole Keeton Strayhorn** and **Rick Perry** are in the midst of a campaign against each other for governor. And that very well may be the case. But, while the two of them were attacking each other this week, they could be ignoring the most important potential gubernatorial candidate for governor.

GOP USSenator **Kay Bailey Hutchison** was probably privately rubbing her hands with glee this week as Strayhorn and Perry peppered each other verbally and with news releases. Their jabs at each other **can't help but help Hutchison**, if she decides – as many think she will – to come back to Texas to run for governor.

Hutchison has the highest positive poll ranking of any Texas officeholder. She flirted with the idea of running for governor two years ago, but decided to stay put as Texas's senior senator. Now, with two new adopted children and a long, publicly stated desire to return to Texas, she could **shake up the entire statewide office structure** if she decides to leave the security of the USSenate to run for governor of Texas (see our 5/16/03 edition).

But, would someone give up a USSenate seat to “step down” and run for governor? It's happened successfully in Texas's past. USSenator **Price Daniel** stepped down and was elected governor three times. When Senator Daniel announced his campaign for governor he said **“I'd rather be governor of Texas than president of the United States!”** Of course, he had a snowball's chance in Hell of being elected president, but it sure had a nice ring to it – and it propelled him into the governors' chair.

**If you were looking for office space, this headline would probably get your attention:
“Considering Our Receptionist Is Armed, You Know Security Is Tight!”**

An ad run recently in the *Austin Business Journal* by a commercial real estate firm with this headline blazoned across the top, was obviously targeting Austin businesses. However, the firm's location is not in Austin; it is in nearby San Antonio. But, *where* in Santone?

“For the first time, Class A office space is available to the private sector on a **secure military post**. The Offices at Fort Sam offer three new state-of-the-art office buildings in historic structures,” explained the ad.

Who would office there? “This is an ideal business environment for D.O.D. and Army contractors as well as other **businesses seeking unique locations for high security uses**,” noted the ad. The offices open in Spring 2004 and are already 60% leased. Sign of the times?

Back in March 2002, a Dallas oilman/geologist and his wife bequeathed, that upon their deaths, their estate would go to UTAustin. At the time, it was estimated at \$150 million. The philanthropists have now died and you may be surprised at the final size of the gift.

His wife died first, then alum **John A. Jackson** died this spring. As earlier announced with much fanfare, they directed in their will that the residue of the estate should go to study the geosciences at UTAustin. When it was announced, the estimated \$150 million value was the largest in UTAustin history.

Now that the transfer of Jackson's estate to UTAustin is nearing completion, the value has been set at a **whopping \$232 million**. This is a staggering amount for a single gift. But, when added to the Jackson's previous gifts of \$40 million, the \$272 million total contribution makes them **one of the most generous benefactors ever to any public university**.

"Mr. Jackson always said that he and his wife, Katie, were not donors, they were investors in the future of Texas," said President **Larry Faulkner**. "They wanted to give back to the state that had given them so much in their lifetimes. They also wanted their estate to be used to **assure that Texans continue to have access to water, energy and a clean environment**. We intend to fulfill that desire."

The Jackson's gift will support research in geology, geophysics, energy, mineral and water resources, earth sciences and the environment. This total gift is counted in the seven year "We're Texas" capital fund-raising campaign. The campaign closes 8/31/04. So where does it now stand? "**To date, we have raised about \$1.4 billion**. We estimate that we may reach \$1.6 billion by the end," reported Faulkner.

Referring to the barbs tossed back and forth this week between Governor **Rick Perry** and State Comptroller **Carole Keeton Strayhorn**, **Dr. Louis Overholster** said he was reminded of a **Winston Churchill** retort: During a heated debate, **Lady Astor** said to Churchill "If you were my husband, I would poison your coffee." Replied Churchill, "If you were my wife, I would drink it!"

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