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Dear Client:

What's the prognosis for higher education in Texas? Future hikes in tuition are inevitable, as are increasing levels of competition for the state's top schools.

This is the forecast of a man who has made a living for decades watching trends and predicting what will happen in Texas. Texas economist **Ray Perryman** says the system of higher education is "under tremendous and growing pressure" and "despite efforts to increase the effectiveness of the network of institutions, the situation is **reaching crisis levels.**"

"Moreover," Perryman says, "**if current trends continue, the economic vitality of the state could be compromised.**" He goes on to say, "the primary causes of the problem are a large and growing enrollment demand, budgetary pressures, and jumps in the cost of an education."

Why would this compromise the economic vitality of Texas? "The state will see a decreasing trend in the educational attainment of its residents," says Perryman, and that would cause a "**drop in the average household income ... poverty levels would rise**, as would the number of Texans relying on Medicaid, food stamps and other state programs."

Perryman points out "the benefits of educating a larger proportion of state residents far outweigh the costs." But he also recognizes that "in an environment of scarce fiscal resources, obtaining support for the necessary outlays to enhance affordability is not an easy task. Until and unless we see a return to better fiscal times, the **prospects for bigger state infusions into school budgets are slim.**"

And therein lies the problem. Perryman says **different higher ed institutions are trying to solve the problem in different ways**: "Some are adding night classes to better use resources and offer a broader range of students a shot at a degree. UTAustin and TexasA&M are chasing research dollars with unprecedented vigor." And so on.

"The heart of the problem is that even as demand for college education grows, funds available to the state's public institutions shrink," Perryman observed. His conclusion: "**It is imperative that we find a workable solution**; otherwise, our potential as individuals and a society are irreparably diminished."

With Ray Perryman's close-to-cataclysmic view regarding the state of higher education in Texas, what is his outlook for the state's economy? Not bad.

“Although Texas will face numerous challenges in the future, such as generating adequate fiscal revenues to meet the pressing needs, key economic forces are currently in place to **enable the state's economy to move forward at a moderate pace in 2004**,” he forecasts. In other words, his short-term outlook for the Lone Star State is optimistic.

His forward look is bolstered by a rear-view mirror of the Texas economy. “The Texas economy has seen ongoing, but slow, expansion over the last 2 years,” Perryman noted. “Despite a general employment slump, **productivity has increased faster than job drops**. Health and education services employment have continued strong during the downturn.”

What are some of the specific areas where Perryman predicts forward movement next year? **Residential construction, exports, retail sales** are a few of the areas he predicts will increase at a rate that will push the Texas economic output up 4% next year, compared to about 3.4% for the US. And he predicts Texan's real personal income will move upward 2.7%.

His other predictions? Interest rates will stay at a modest level, though inch up slightly. Employment will climb 1.7%. **The number of people living in Texas next year will likely reach 22.46 million**. All in all, a general and steady uptick for 2004 over 2003.

Next year is a major presidential election year. Following Florida's vote-counting fiasco in the last presidential election, what new voting changes can we expect?

The basic change, which will be in force here, is a major move to electronic voting – no more “hanging chads.” But there are wide variations on the **electronic voting machines**. Different manufacturers are bombarding local voting jurisdictions all over the US with sales pitches on why their version of the electronic voting machine is preferred over the competition.

One twist that's out there is novel enough it could soon catch on all over the US, though not likely in time for next year's balloting (except in a few locations). **Some machines will print out a paper record for the voter to take home, showing for whom the person voted**. This voter verifiable paper trail should give a great deal of comfort to those who may be concerned about whether their ballot is counted and overcome some fears about electronic vote counting.

Even with a “receipt,” there will still be **issues of integrity, security and accuracy** of the recording and counting of votes. But, walking out of the voting booth with a paper verification of how you voted may give a little more assurance than voters now receive.

It looks like it's going to be a great holiday season for one high tech segment in the Austin area. Personal Computers are selling like, well, high tech hotcakes.

The Wall Street Journal reported this week, that “for the first Christmas since sales started cooling in late 1999, home-PC sales may turn in a **strong finish this year.**” If the year 1999 rings a bell, it's not necessarily because it was in the midst of boom times, it's also when those frightened by the Y2K bug possibility upgraded their equipment in a buying frenzy.

Now many of those folks are replacing those older machines. But it's more than that. The *Journal* notes that there is a “**wider acceptance of home-PCs as entertainment-and-imaging devices**, rather than merely Internet cruisers.” As a result, “after declining three years running, PC sales this Christmas season could be up by as much as 19%.”

This is good news for Round Rock-based Dell Inc. and the employees involved in cranking out the PCs in the Austin area for international purchase. In fact, Dell reported **Thanksgiving weekend visitors to its US home-PC site were up 20%** over last year.

But it's not just Dell, it's across the board. Retail outlets are reporting similar increases in sales. And this translates into a **rebounding economy** as consumers are spending bucks on big-ticket items that are not necessarily necessities. Oh sure, you can't get along without a personal PC these days, but most folks who own an older model could wait a while longer to buy a new one, if strapped for cash or worried about their economic future.

And, unlike past booms, the *Journal* reports “there is no single feature, such as a new operating system or chip, fueling this year's sales pickup. Instead, **buyers who have been on the sidelines now are eager for a complete update**, brightening their new machines with snazzy flat liquid-crystal-display monitors, photo-imaging software, CD-writers, DVD players and 3-dimensional sound systems.”

This could be a major change in the way we live and use our PCs. A San Francisco research firm noted that access to the Internet had long ranked as the reason consumers gave as the primary reason to buy a PC, but no more. This year, the primary reasons given are **adult education, finances and entertainment.** This shows up in the tendency to buy more expensive desktops and notebook PCs, which are selling faster than low-cost PCs.

It doesn't look like this is just a one-shot wonder, fizzling out after the holiday buying binge. Retailers say a bright Christmas should give PC sales some much-needed momentum through the coming year. Echoing that, analysts have been ratcheting up their estimates of 2003 unit sales. Bear, Stearns & Co. doubled its estimate for PC-unit growth this year, saying now it sees unit **sales rising 12% this year and as much as 15% next,**” noted the *Journal*.

No question, it's been a great year for the Austin film industry. But, watch out. The City of Dallas – long a player on the film scene – is changing the way it does business and it could mean stiffer competition for Austin.

In a big year, the big screen epic, “The Alamo,” garnered the lion’s share of the local publicity. It was filmed in the Austin area on the largest movie set ever built in North America. **Its budget, in the \$90 million range, could go higher** as the release date was bumped from Christmas Day to next Spring, to allow for more work on the grandiose film.

But a number of other big movies contributed to this big year. UTAustin’s landmark tower was lit orange many times this month – not just for Longhorn football victories, but to be used in the filming on a **Tommy Lee Jones** starrer, “Cheer Up,” that wraps up this month. Another movie, “The Ringer”, is also shooting in the area right now. There were many others earlier in the year.

Dallas, taking note of this activity, put a **new streamlined film policy** into effect this month. Instead of forcing film producers to go to about seven different city agencies/departments for permits – such as street closings, traffic patrol, sound disruption, etc. – a single Dallas office will now issue all such permits.

The movie biz is a very attractive economic entity. Besides the glamour and the publicity that usually accrues to the city where the shooting occurs, there are **real dollars distributed throughout the economy** as producers usually pay significant dollars for all manner of services. These dollars are what those in the tourist industry like to call “clean dollars.” **The money comes in from outside the area**, is spent locally usually on non-polluting activities, and then the film companies leave without local taxpayers paying to educate their kids, etc. Other major films are on the drawing boards to be shot soon in the Austin area. But it would be wise to keep an eye on our aggressive, attractive neighbor just up IH35.

As the holiday party season approaches, **Dr. Louis Overholster** has some unconventional advice for those who may overindulge: “Don’t hate yourself in the morning – sleep until noon!”

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