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Dear Client:

**The multi-billion dollar *private* money deal to build the Central Texas part of the Trans-Texas Corridor now is now edging toward a quasi use of some *public* funds.**

It depends on how you define it, but there is no doubt a new wrinkle has been added to this humongous, ambitious, unprecedented transportation plan. And it bears examination. But first, a bit of background. Back in March, amidst a lot of hoopla, an international consortium styling itself as Cintra-Zachry said it would use **\$7.2 billion in private financing to build the first part of the Trans-Texas Corridor**. This first part slices through Central Texas, roughly paralleling IH35.

A big point was made at the time the state signed the deal with Cintra-Zachry that the **construction would be done at no cost to taxpayers**. Obviously this was a huge selling point in an era of tight roadway construction dollars. (Cintra-Zachry would recover its investment by charging tolls, etc. for usage of the Corridor).

Now Cintra-Zachry has written a letter to the **Federal Highway Administration saying it is interested in applying for a \$320 million low-interest loan**. This money would be applied to the construction of 42-miles of SH130 from a bit south of Austin to Seguin. Total estimated cost for this portion is about \$1 billion.

So, does borrowing federal dollars contradict the claim of not using taxpayer money? Some say yes, some say no. The Texas Department of Transportation said it always said **no state dollars** would be used. The governor's office also said, in effect, "**hey, it's a loan not a grant; it will be repaid.**" And so on.

The critics claim no matter how it is being painted, **if the feds make a loan to Cintra-Zachry, then tax money is being used**.

So far, this is not a full-blown controversy and it may never reach that level. But, with the normal amount of criticism aimed at any transportation project, and the prospect of controversial tolls levied upon those who use this new Corridor, **additional criticism is never a good thing**. Then you add the fact that we're moving into a political campaign season for the next fifteen months where candidates grasp at any straw to tear down their opponent, **this could turn into a volatile issue**. It's wait-and-see time.

**There will be plenty of time over the course of the next year to heap accolades upon UTAustin President Larry Faulkner before he steps down from his demanding post, as he said he would in a news conference on Thursday.**

Only one other UTAustin president will have served longer than Faulkner when he formally hands over the reins to his successor sometime next spring or summer. But it is a tribute to him that many of those in the highest circles of Texas higher education were urging him to **“go for the record” and stay just a few more years.** However, his most enduring “record” is the one comprising the accomplishments of UTAustin during his watch.

Even as you read this, there will have been thousands of words written reciting those achievements. And there will be more. We commend them to you so you will have a complete perspective on his presidency.

But beyond the substance, Faulkner’s *style* contributed to the substantial UTAustin accomplishments. **He brought a “steady hand” approach to a very difficult job.**

UTAustin has many constituencies, most of them demanding. Unless you have been in the president’s position, or tagged along day-after-18-hour-day, seven days a week, it is hard to comprehend the **push-pull pressures of the presidency.** Can you imagine a more diverse and demanding constituency than one made up of prima donna tenured faculty, prima donna political leaders who have a life-or-death hold on your budgets, prima donna alums and, yes, the prima donna press.

There are other constituents, but the difficulty in balancing these very real, very different demanding groups brings to mind the classic question: **“What is the difference between a terrorist and a tenured faculty member?”** The answer: **“You can negotiate with a terrorist!”** Faulkner’s style, coupled with his vision for UTAustin, has enabled him to negotiate a path through these landmines.

His vision set a course for UTAustin and his steady hand on the tiller guided it to a new level of greatness, while setting a continued direction for the future.

**The hot temps running up to the Fourth of July weekend are a good news-bad news situation.**

The *bad* news is the near-100 degree days, with no rain, are causing you to crank up the air conditioning so your monthly electric bill will soar. This is also the *good* news — for Austin Energy. We had a mild summer and winter last year. In fact, **Austin Energy customers hit a 25-year low in electric usage last fiscal year.** This amounted to \$103,000 a day in lost revenues for Austin energy, compared to the average. What do you want to bet, the way the temps are rising this summer, Austin Energy will recoup those losses this year – from you.

**While Texas legislators ponder the education and finance needs of a growing state, they need to realize the state is going to continue to grow at one of the fastest paces in the nation.**

Dramatic growth is part of the DNA of the state of Texas. It has always been so. For a century now, **since the early 1990s Texas has grown faster than the United States.** Oh sure, there have been growth spurts and slowdowns, but spread out over a hundred years Texas has grown at an amazing pace.

For instance, growth accelerated from 1970 to 1980, as oil prices spiraled upward and people flocked to the state. During this decade, the rate of population growth in Texas **more than doubled that of the nation**, and even with the oil and real estate bust that followed, this rate slowed only slightly in the 1980s.

In the 1990s, the state's strong economy and rapidly-expanding high-tech centers drew many immigrants and residents from other states. In that decade, Texas **added almost four million residents** and surpassed New York as the second most populous state.

Even with the drastic economic downturn of 2001, which hit Texas much harder than most other areas of the nation, **the state gained 1.26 million residents** from 2000 through 2003, for a total of more than 22 million. Although domestic immigration – people moving from other states within the United States – slowed during the hard economic times, the state maintained a high birth rate and strong pace of immigration.

These growth figures come from **D'Ann Petersen** and **Laila Assante**, writing in a monograph for the Federal Reserve Bank of Dallas titled *The Face of Texas: Jobs, People, Business and Change*. (You may recall we cited this same publication in our 6/10/05 edition when we examined the changing ethnic mix in Texas.)

This historical perspective underscores a Texas trend that shows absolutely no sign of letting up – at least during your lifetime. And this is where your legislators come in. **Band-Aids won't work for the long financial haul in such a growth-driven state.**

**Many legislators are focused on a “stop-the-bleeding” approach** – especially in the House of Representatives where lawmakers are only elected for two-year terms. (“Get me past this election and I'll worry about the future later.”) Texas state senators serve for four years.

The fact legislators are facing a tight timeframe in this 30-day special session only adds to a sense of urgency “to just get something, anything, done.” However, there is always hope our elected officials will **exercise statesmanship and look at the long haul**. It will be interesting to see the solutions finally sent from the legislature to the governor for his signature.

**A new ranking of the cleanest and dirtiest big metro areas in the nation has been released. But for one surprising factor (to some), the Austin area would have been near the top.**

The *Reader's Digest* analyzed data to score each of the nation's 50 largest metro areas on **air quality, water quality, industrial pollution (toxics), Superfund sites and sanitation**. Rather than just the cities themselves, the *Digest* looked at metro areas, which include surrounding cities and suburbs. This caused serious damage to the ranking of Chicago, which came in dead last at #50. According to the *Digest* Chicago has excellent water, but its score was brought down by problems in the outlying areas. Austin did quite well, but it could've been better.

Here's the Top Ten, with relative scores: 1) Portland, OR 44.00 ... 2) San Jose, 40.71 ... 3) Buffalo, 38.29 ... 4) Columbus, 37.33 ... 5) San Francisco, 36.57 ... 6) Denver, 36.17 ... 7) Rochester, NY ... 35.71 ... **8) Austin, 34.00** ... 9) Orlando, 33.86 and 10) San Diego, 32.57. **Higher numbers mean a cleaner city.**

Austin earned the highest possible score, 50, for hazardous waste and was very near the best in the nation in air quality (44) and toxics (48). **The surprising ranking for Austin was a lowly 9 for water quality.** If water quality had scored higher, Austin would've jumped in the rankings big time.

The surprisingly low water quality ranking may be offset by the **surprisingly high air quality tally** – what with the number of Austin Ozone Action Days each year that tally the air pollution. So maybe the two offset each other. Also, for some reason, Austin was one of a dozen cities for which there was no sanitation ranking.

**San Antonio received a high ranking, #14 with 31.00.** Dallas was #30 with a 24.71 score and Houston came in at #41 out of 50, with a 19.14 score. The dirtiest cities are #46 Birmingham, 17.86 ... #47 St. Louis, 17.00 ... #48 Pittsburgh, 11.29 ... #49 New York, 8.33 and #50 Chicago, 6.71. These rankings are published in the *Reader's Digest's* July issue.

**Dr. Louis Overholster** was ecstatic, saying he missed the Lotto jackpot by only four numbers!

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