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Dear Client:

**Now that interest rates are ratcheting ever-so-slowly upward, making it more expensive to service all kinds of debt, it's time to look at the fact Texas ranks dead last in credit scores — the system used by lenders and others to evaluate risk.**

The abysmal placement of Texans when it came to managing credit (at least the way lenders look at it) means Texans will be faced with higher interest charges in the future, observes the usually optimistic Texas economist **Ray Perryman**. Given that the Texas economy has generally been growing faster than other areas, you would think we could do better than being ranked at the bottom of the barrel when it comes to credit scores.

**Should we be alarmed by this?** “Yes and no,” says Perryman. “Yes, because it's a clear indication that Texans aren't managing credit as well as those in other areas. However to the ‘no’ part of the answer, credit scores are only one piece of information in a list of items used by lenders in evaluating applications.”

Also, they deal solely with the *past* – more about that in a minute.

Credit scores are not what many think they are. “Under one widely used model, the largest determinant of your score is your **payment history for various accounts, including the number overdue and those paid as agreed**,” Perryman pointed out. “Also important are the amounts owed and their relationship to the total credit you have available. The length of time since accounts were opened is considered, as are the number of recently opened accounts. Inquiries play a small role.”

“**This leaves out many variables integral to the ability to repay debt, such as salary and occupation**,” he said. “In addition, age is not considered. Texas relatively young population tends to pull down our average.”

When you look closer at the data, you learn that a key drag on Texas' ranking is a relatively high number of late payments. “Like bankruptcies, this is often a *lagging indicator* of previous financial trouble and not a portent of things to come,” noted Perryman. “Even so, it's clear that an abundance of people with poor credit ratings is not a good thing for our economy. But Perryman (who sometimes is known by his *nom de plume*, “Rosie Scenario”) says “**as the economy improves and incomes continue to rise, I think we can expect our ratings to begin inching up**. I just wish we didn't have so far to go.”

**Besides receiving private contributions totaling \$1.5 billion as a super-successful capital campaign comes to a close, what has been the impact of the “We’re Texas” campaign on UTAustin, one of Austin’s most important economic engines?**

First of all, the “We’re Texas” capital campaign has “given people a sense of the fact that *private* support is a part of the landscape for *public* universities in a way that it has never been before.” This comes from the man who directed the campaign since 1997, **Johnnie Ray**, who just left UTAustin to become SrVP for Institutional Advancement for Atlanta’s Emory University.

“It’s been a cultural change at UT, internally and externally,” Ray explained. “As much as a campaign can be effective in helping to raise funds, in some ways that’s less important than being a catalyst for organizational change. **This campaign gave us the opportunity to differentiate ourselves from other universities** and to clarify and affirm our identity and values.”

For decades we have touted UTAustin as one of the strongest engines for Austin’s economic growth. **Without UTAustin, the Silicon Hills of Austin would not be a high tech center.** Back in the 1980s, the speech we gave to groups all around Austin was titled “If You Want To Stop Growth In Austin, Move The University Of Texas To Amarillo”. Ray sees UTAustin’s influence even broader than that.

**“If The University of Texas at Austin were to suddenly vanish, the quality of life in Texas would be diminished dramatically,”** he states. “Our citizenry would be negatively affected – culturally, socially, economically. Conversely, because it’s here, we have enormous benefits flowing out every day.”

Ray used this conviction to guide him as he directed the \$1.5 billion fund-raising effort. “Whether people know it directly or not, indirectly they’re all feeling the campaign in those terms,” he continued. **“De-emphasizing money, we created a more meaningful experience for people than if it were just a money grab.”**

So, where does UTAustin go from here? Even though he will be in Atlanta, Ray will still have strong ties to the Forty Acres. In fact, before he left town he bought a Life Membership for himself (he’s *not* a UTAustin grad) and his son (who *is* a recent grad) in the Ex-Students’ Association. As he put it: “After eight years here, **I consider myself a UT alumnus.** I have a stake in this place and what happens here, and I’ll be as engaged as our most active alums are.”

Many will listen to Ray’s thoughts on UTAustin’s future direction. And, for one, he thinks the focus on further private philanthropy should change a bit. “We’ve proven again that this institution can strive for something that’s large and ambitious and get there,” he noted. “Now we need to think even more carefully about ‘For what?’ instead of ‘How much?’” **For the future, he suggests fund-raising should be for what will have the most impact on the university,** “even if that means we raise less money.”

**Most of the debate over the upcoming Austin toll roads decision centers around costs and taxes. What's being lost in this hue and cry is the timing.**

Stop and think for a minute how long it takes to build major roadways in this crowded metro area. Look at the IH35/Hwy 290 overpass. **Or better yet, take Hwy183 from IH35 to near Lakeline Mall – how long has that road construction taken so far? What is it? Fourteen years or more?** What frustrations Austin motorists have gone through during that long, drawn-out process, not to mention the delays and the dangers! And the full route still isn't complete.

Compare this to the four times as many miles of toll road being constructed of SH45 and Loop1 North – which will be **built from start to finish in approximately five years**. The difference is remarkable and it doesn't have anything to do with slow contractors. It's in the way the roadways are funded.

The Texas Department of Transportation (TxDOT) is on a pay-as-you-go basis. The local TxDOT district can only spend each year the amount of money that is allocated to the district. So the road dollars and contracts get **spread out over time as the money is available**.

Now contrast this to the way toll roads are funded. The SH45 and Loop1 North extension tollway, currently under construction, has **all the money committed to complete the roadway – in advance**. The money is coming from the sale of bonds based on the projected toll revenues.

In this case, the **interest meter is ticking** on the bond funding. So they can let the contracts for the entire project up front and **push the contractors to build as fast as possible** – and even offer cash incentives for early completion (to get the revenue flowing faster and curtailing interim construction funding costs).

So, what's the big deal about timing anyway? **Well, when you consider the Austin area's population roughly doubles – that's right, doubles – every 20 years, it becomes a major consideration**. Think about this: from the time construction actually started on Hwy183 until it is finally completed, the population will have doubled. Just think of the increase in vehicles during the construction period – in addition to how crowded the roadway will be when it is finally opened all the way. So, yeah, timing is a big deal when you talk about roadway construction. And it needs to be a part of the public debate as the decision date nears.

**Speaking of road construction, the utility replacement work on South First Street leading into the downtown area is scheduled to be complete by the end of summer.** Another major road construction headache – North Lamar Blvd, from the Town Lake Bridge to West 24<sup>th</sup> St. – is set to end a year from now, August 2005, but the contractor is ahead of schedule so far.

**In this fast-paced information age, attention spans get shorter and shorter – especially when you’re bombarded by the same images and stories over and over. This is now true about Iraq.**

Take the recent state funeral for President **Ronald Reagan** as an example. By the end of the weeklong activities, you found even die-hard Reagan supporters mumbling a bit about the pervasiveness of the coverage. When favorite son **Lyndon B. Johnson** died, the same prolonged state funeral process didn’t generate as much concern about the coverage, primarily because thirty years ago, we didn’t have 24/7 news coverage to the extent we do today.

One of the methods used to gauge how people pay attention to what’s going on around them is to ask them if they follow various news events very closely. A recent poll shows that **only 39% responded they were following the events in Iraq “very closely.”** It’s the lowest level of interest shown in Iraq this year. “All Iraq, All The Time” seems to be numbing the minds of most.

But this low number isn’t the most dramatic. Those who said they **were following the presidential campaigns very closely tailed off to only 28%.** Contrast this with how many respondents to the same survey said they were following the **news about gasoline prices very closely – 58%.** Iraq and presidential campaigning have been going on for a much longer period than rising gasoline prices. And, of course, prices at the pump impact folks more personally than war and politics.

**Interest in Iraq can be expected to peak if there are some dramatic developments.**

But the day-to-day hostilities are not generating the spark they once did. And you can look for the presidential campaign to stir things up a bit this fall after the national political conventions. But, remember, the **campaign pot will only be stirred intensely in less than 20 states.** What we see in Texas will be the spillover effect. So, even at its most heated, the presidential campaign is not likely to create extremely high numbers of people who follow it “very closely.”

In this age of high gasoline prices, **Dr. Louis Overholster** says he’s no longer teaching his kids the value of a *dollar* — now it’s the value of a *gallon* (or as he calls it, “Eau de Exxon”)!

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