

THE

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AUSTIN LETTER

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Dear Client:

While the Texas Legislature is wrestling with school finance and taxes, it has an \$8 billion surplus to aid in those deliberations, thanks to a thriving state economy. The legislature itself can take a bit of the credit for the surplus generated by these good business times.

There is no question the Lone Star State is among the nation's leaders in economic growth these days. The \$8 billion surplus in the state's coffers is just one example of how this manifests itself. After all, Texas gets more income (tax revenue) as its economy thrives. Another example: *Site Selection* magazine, a national publication that tracks job creation, tapped Texas as the state that secured the **most job creation announcements in 2005, for the 2nd year in a row**. Texas has also received this designation more than any other state.

Importantly, the magazine said the **Texas Enterprise Fund (TEF) was essential to this success**. The TEF was initially created in 2003 by the Governor and the Legislature and funded to the tune of \$295 million to improve the ability of Texas to attract new jobs to the state.

Prior to this time, longtime Texas economist **Ray Perryman** noted that competition from other states with more flexible plans and incentives resulted in Texas gradually dropping from the top (in the early 1980s) to **at one point ranking only 37th in new manufacturing locations**.

This "deal closing fund" provides flexibility and makes financial resources available that can be used for a variety of efforts designed to strengthen the state's economy. This includes infrastructure development, job training programs, business incentives, etc. Since inception, the **TEF has helped secure numerous expansions for the state – with the Austin area a major beneficiary**. These projects are expected to add 37,000 jobs and increase capital investment in the state by at least \$6.7 billion, according to Perryman.

The Legislature seems to always receive more-than-its-fair-share of bashing. But remember it also aided the Texas and Austin area economy in recent sessions by instituting **judicial and workers' compensation reforms** as well as implementing several innovative **workforce development initiatives**. It's easy to moan and groan about your elected leaders. But in this instance they deserve kudos for creating a solid business economy.

A very low 4.2% of the Austin metro labor force was looking for work during February – the best employment situation of any major metro in Texas.

The Austin area economy just keeps getting better and better. In February 2005, the 5-county Austin-Round Rock metro area recorded a very good 4.8% unemployment and a year later it had **diminished even more to 4.2%**.

To give you a comparison, the **statewide average is 5.2%**, San Antonio was at 4.7% ... Dallas-Ft. Worth-Arlington's February 2006 unemployment was 5.0% and Houston-Sugar Land-Baytown, 5.3%.

The numbers show 26,600 more people are working in our metro area than was true a year ago. This is a hefty job increase – from 757,000 to 783,600 – that is roughly equivalent to **half the work force in the San Angelo metro area moving to Austin and finding work.**

Speaking of new jobs, the Greater Austin Chamber of Commerce (GACofC) continues its full court press to create more and more jobs in the Austin area.

Flush with cash from its five-year Opportunity Austin economic development fund-raising effort, the GACofC is planning 22 – count them, 22 – **out-of-market missions in 2006 to corporate HQ cities** such as Los Angeles, New York, Detroit, Chicago, San Francisco, etc.

These trips will include **face-to-face presentations by Chamber volunteers and staff** to companies that fit the profile of those they feel would benefit by an Austin presence or expansion. In many cases, these “sales calls” will be follow-ups to previous contacts or expressions of interest in the Austin area.

While the ultimate decision on company re-locations or expansions are made at the top level of each organization, **many corporations rely on site selection companies** (who specialize in identification of locales around the nation that offer the best opportunity to their clients) to do the legwork and make unbiased recommendations to them.

These site selection companies are sophisticated and very thorough in their work. In fact, due to the highly competitive business world, these site selections companies seldom reveal their clients as they do their due diligence. This gives a measure of comfort to the companies that hire them.

So, the GACofC has made it a **priority to woo these firms and keep them up-to-date on the latest developments in the Austin area.** Accordingly, the GACofC plans to bring reps from these site selection firms to Austin throughout the year to expose these key players in economic development to the qualities of the workforce, etc., in Austin and the entire region.

Local election day is about two weeks away, but early voting ends in little more than a week. If you haven't been paying attention, now is the time to tune in.

Election Day is Saturday May 13th, 2006. If you want to get ahead of the election curve, early voting runs from May 1st through May 9th. Especially in terms of numbers, there are several important elections. For instance, **a majority of the Austin City Council positions – including the mayor's seat – are up for grabs.** And there are two open seats where there are no incumbents, meaning there will be an obvious change in personalities if not philosophy.

As we've told you in previous editions (3/24/06 specifically), the **Austin Independent School District Board of Trustees could experience its largest turnover in membership in at least a generation.** Six of the nine seats are on the ballot, including all three officer positions and almost all of these seats are "open," with no incumbent seeking re-election.

In addition, area cities, towns and communities will be electing city leaders, other school boards (such as Round Rock, with two trustee positions on the ballot) and three **Austin Community College** trustee seats are on the ballot as well.

Inside the Austin city limits, **voters will also be asked to change the City Charter seven times.** And two of the proposed charter amendments, #1 and #2, have generated quite a bit of controversy (see our 4/7/06 edition). All in all, these municipal/school elections on a single day have turned out to be quite important for the area's future. It's not too late to make an impact.

The un-seasonal heat wave last week brought to mind the fact we are entering into smog season – though it has not yet manifested itself.

It's called Ozone Season around here. And when the smog levels reach unsafe highs, an Ozone Action Day is declared. You know the drill. On Ozone Action Days, you're asked to voluntarily reduce emissions by car pooling, taking the bus, walking or hiking to work, filling up your gas tank in the early morning or night hours, make conference calls instead of asking folks to drive to a central location for a meeting, etc. **But, this year, a new law is in effect.**

Local governments in our five-county metro area (Travis, Williamson, Hays, Bastrop and Caldwell counties) will begin enforcing an ordinance, backed by state law, **prohibiting idling of vehicles weighing more than 14,000 pounds** between April 1st and October 31st. (Your average SUV weighs around 6,000 pounds.)

State law allows for **prosecution of the vehicle owner/operator, the business owners and/or land-owners** where the unlawful idling occurs. There are exemptions for traffic conditions, emergency vehicles, etc. If this applies to your business, you should get up-to-speed pronto.

It is going to cost more for students to enroll at UTAustin the next two years. But part of the tuition increase will go to hire new faculty and give merit salary increases to maintain the institution's high academic ranking.

Tuition will increase 9.6% in fall of 2006 and will ratchet up another 1.2% in fall 2007 for an annual increase of 4.9%. The university estimates tuition for the average *Texas resident* will **increase to \$4,050 per semester in 2007**. *Non-Texas-resident* students will take a bigger hit in the wallet. Tuition will increase for out-of-state students over the next two years, from about **\$8,000 to about \$13,000 a semester**. UTAustin President **Bill Powers** said the increase will make the university's non-Texas-resident tuition comparable to those at other state universities.

Much of the new tuition dollars will be spent to help UTAustin's already high academic ranking. For instance, UTAustin's schools of **Business** (18th), **Law** (16th) and **Information** (7th), and its colleges of **Engineering** (13th) and **Education** (15th) each rank among the nation's **Top Twenty graduate programs** in this year's *USNews&WorldReport's* magazine survey.

Certain other PhD programs and specialty programs are ranked in alternate years based on ratings of academic experts, including faculty and administrators. For instance, the College of Engineering's **petroleum program ranks #1** in the nation and its **environmental/environmental health program is #2**, while its information systems program is #3. **The UTAustin geology program is #5**.

Looking at the balance between tuition and quality academics, The Princeton Review, an education services company, named **UTAustin one of the nation's best value undergraduate programs**. Or to put it another un-academic way, you getta lotta good education for your money at UTAustin.

Dr. Louis Overholster says hiring someone fresh out of college is a faith-based initiative – you have faith they are going to show some initiative!

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Sincerely



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