

THE

*Real Spelce*

# AUSTIN LETTER

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Dear Client:

**Tuition, enrollment and funding — three of the most important legislative issues for UTAustin — are all being closely scrutinized by lawmakers. How is Austin’s most important economic engine responding to this current challenge?**

What we first uttered thirty years ago is even more true today – **“If you want to stop growth in Austin, move The University of Texas to Amarillo!”** There is no other single entity whose influence reaches wider and deeper into the fabric of the Central Texas economy. So, briefly, here is part of UTAustin’s position if lawmakers try to chip away at these three areas:

**Tuition.** In response to a shortfall in 2003 caused by a 7% cut in university budgets and a long trend of declining state support, tuition was raised by 13.2% in spring 2004 and by 13.7% the next fall to catch up. Since then, tuition increases at UTAustin have averaged 5% per year. **Even after these increases, the fees and tuition for a year amount to \$7,630 – “still below the median of the 12 public universities we use as a comparison group,”** said President **Bill Powers**. By the way, tuition is \$33,000 per year at a typical prestigious *private* university. Powers also says “no one will be denied a UT education because of cost.”

**Enrollment.** UTAustin has been fighting for years to reduce enrollment, but with almost 50,000 students it is one of the nation’s largest single-campus institutions. A bill by Senator **Judith Zaffirini** would develop financial incentives to encourage students to **complete a core curriculum at a community college and then transfer to a four-year institution.** Other campus financial incentives help students graduate in four or five years, rather than six as many do now.

**Funding.** Twenty-two years ago, state funding provided 44% of UTAustin’s budget. Today UTAustin receives only 16% of its budget from general revenue supplied by taxpayers. UTAustin points out it is ranked 23<sup>rd</sup> in peer assessment of academic quality out of 248 schools in the “national university” category (this includes Harvard and Yale) and 7<sup>th</sup> of 162 public universities. “But,” Powers pointed out, “we are ranked 104<sup>th</sup> in financial resources. **Clearly, we do more with less. But we can’t reach our potential without adequate funding.**”

It’s an important time for UTAustin between now and the legislative session end 5/28/07.

**Memo to those who will have family members involved in presidential campaigns: don't expect to see much of them during the Thanksgiving and Christmas holidays. Unlike in years past, they will be in the final weeks of round-the-clock, down-to-the-wire campaigning.**

Oh sure, in the past there have been maximum efforts for Super Tuesdays, when many vote-laden states held their primary elections on the same day. But back in 1976, **the first so-called Super Tuesday was June 8<sup>th</sup>** and in the most recent presidential nominating process, **Super Tuesday had been moved way up on the campaign calendar to March 2<sup>nd</sup> 2004.**

This presidential primary cycle looks like it will be even earlier and include more states – **a Super Duper Tuesday. Would you believe February 5<sup>th</sup> 2008!** In 2004, 10 states held primary elections on March 2<sup>nd</sup> with 33% of all Democratic delegates chosen. If all the states currently considering moving their primary elections to February 5<sup>th</sup> 2008 actually do so, **59% of all Democratic delegates will be up for grabs at one time.**

(We're using the Democrats' delegate numbers because the Republicans have yet to apportion their delegates. However, it should be **roughly equivalent for both parties** because the delegate count is based upon the number of voters per state.)

California has already made 2/5/08 its official primary date. The other biggies – Texas, New York, Florida, Illinois, Michigan and New Jersey – are considering the change, along with a host of other states such as Texas' neighbors Oklahoma and Arkansas. **The move is picking up steam almost weekly.** The National Association of Secretaries of States says 22 states either have moved, or are considering moving, their primaries to Super Duper Tuesday.

If all these date changes come to pass, this will **totally re-shape the way the two parties select their nominees for the November 4<sup>th</sup> 2008 General Election.** First of all, the states of Iowa and New Hampshire, who pride themselves on holding January first-in-the-nation contests, become less important to gauge candidate momentum.

Secondly, all resources (spelled m-o-n-e-y) will be dumped all at once to garner votes. **This would appear to favor the better-known, better-organized and better-financed candidates.** Also, a 2/5/08 primary date makes it harder for a yet-unannounced candidate to surface.

As we have said before – but it bears repeating – **this would put Texas with its massive delegate count right in the mix of deciding which Democrat *and* which Republican gets their party's nomination.** It's been a long time since the Lone Star State was in such a pivotal position, largely due to the late-in-the-season Texas primary. In the General Election, the GOP has held sway in the recent past and the Democratic nominee has, for all practical purposes, written off Texas. **The primary elections are a different story,** where the two parties conduct their own elections and their candidates will woo Texans with a fervor not recently seen.

**Well, you survived the Spring Break travel hassle so now you can look forward to the tourism-bloated summer travel season. What can you expect this summer?**

Even if you traveled without corralling kids during Spring Break, you probably experienced the packed flights and crowded highways (many Austin travelers – especially with the influx of the South-By-Southwest partygoers – avoid trying to book flights during the Spring Break week each year). **Summertime is almost like a 3-month Spring Break for Austin travelers**, if you are not careful in your planning. So, what can you expect this summer?

You will face steeper prices, for one thing. **Hotel rates are up about 6% over last year and the airlines have hiked ticket prices about 5%**. Bargains will be scarce for the last-minute traveler. Gasoline prices are moving back upward. Demand is driving this, which means continued crowding. Best advice: plan well ahead and avoid top vacation destinations (such as Orlando, Hawaii, Las Vegas, etc.) if possible. Oh yeah, and don't forget the tranquilizers.

**Don't let the national preoccupation by the mass media over the mortgage mess get you down. Talk of a crisis is overblown and the Austin area residential real estate market is still running counter to the national doldrums.**

There are several reasons why the national headlines about rising foreclosure rates and delinquencies are not as bad as they seem. First of all, the problems right now involve those with weak credit who took a risk on Adjustable Rate Mortgages (ARMs) – the sub-prime borrowers. **It's a small segment, maybe only 7% of the total national market.** And not all of them will end up in default.

Secondly, **buyers are not fleeing the market.** In fact, the national market is up about 10% since it bottomed out last August. Thirdly, **the national economy is still adding jobs.** Remember your history: the worst housing slumps have occurred during downturns in employment. So the national picture, while much gloomier than the Austin situation, is not as bad as the headlines make it sound.

Given that, what can you expect to happen for the remainder of this year? Well, to begin with, **don't expect the banking institutions to be heavy handed with good borrowers by limiting credit.** (Remember, what happens *nationally* to financial institutions heavily impacts the Austin area because so many of the banking operations here are national in scope.) No credit crunch is on the horizon. Again, because the borrowers in trouble are the low-incomers.

We mention this because during the Austin real estate recession of the 1980s, banks clamped down because they were badly burned. Not the case this time around. **The national banks are healthy, well-diversified, and have money to lend. So are the local banking institutions.** And, of course, the Austin economy is hitting on all cylinders right now.

**Significant March rains, moderate temperatures, the budding of plants and trees, the greening of grass, the arrival of robins — all signs spring has hit Central Texas. If you look closely there is another sign: millions of monarch butterflies are starting to move through the area.**

These hearty creatures have flown approximately 600 miles from Mexico when they get here — looking for native milkweed plants and native flowering species like **Texas mountain laurel**, which are favored nectar sources. These plants offer the best opportunity to see monarchs.

**This is important because the monarch butterflies are not as obvious in the spring as they are in the fall** when they head to Mexico for the winter. The spring migration is a more dispersed and drawn-out affair, lasting in Austin from now until the end of April as the creatures head northward.

All monarchs in North America east of the Rocky Mountains head to one mountainous region in Mexico for the winter. In the fall, you may see thousands of monarchs in a single time and place, but in the **spring observations of less than 20 monarchs are reported for any one time and location.**

This doesn't mean there has been a big die-off. In fact, due in part to a mild winter, scientists estimate the monarch numbers wintering in Central Mexico have bounced back to **approximately 300 million butterflies.**

This appears to be a good spring for the fragile creatures. There were massive winter kills in Mexico in 2002 and 2004. Not so this year. And, Mexico's new president **Felipe Calderon** has moved to prevent illegal logging that is reducing the butterfly's wintering habitat.

After a long, leisurely dinner at one of Austin's finer restaurants last weekend, **Dr. Louis Overholster** remarked how quiet it had been — pointing out especially there were no loud, obnoxious, out-of-control children disturbing the conversational ambience. He suggested the parents may have been affected by the warning sign posted as you entered the establishment: "Unattended children will be given espresso and a free puppy!"

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Sincerely



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