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Dear Client:

Two-thirds of Texas residents live in the five major metros – quite a change from years past. In a couple of decades that number will jump to more than 70%. And the Austin area is projected to be among the leaders, in increases in population and business activity.

Longtime Texas economist **Ray Perryman** has been tracking Texas economic trends for decades and he has just issued a Special Report on the state's metro area performance spanning 2007 to 2030. Perryman predicts the **Austin-Round Rock metro population will average a 2.00% annual growth rate** over the 23-year period. The fastest will be Dallas-Plano-Irving at 2.23%. (For purposes of this report, he breaks the Dallas area into two Metro Districts; the other includes Fort Worth-Arlington.) The slowest: El Paso, at a 1.45% annual growth rate.

While these large Texas metros currently account for only about two-thirds of the population, they currently produce more than 80% of the state's overall real gross product (RGP). For economists, RGP is a key economic indicator. And Perryman predicts **Austin-Round Rock will lead the state's big metros with a 4.16% annual RGP growth to 2030**. All other Texas metros are predicted to be below 4%. If this forecast holds, this is really important for Austin's economic health.

What about increases in real personal income (RPI)? Again, **Austin-Round Rock is predicted to lead the state with growth in annual personal income of 4.60%**. The others are fairly close, but still behind the Austin metro.

More income generally translates into more retail sales and Perryman's forecast follows that track. **He predicts the annual growth rate in retail sales in the 5-county Austin metro area will also lead the big metros in the state at 7.19%**.

Okay, what about wage and salary employment? Once again, Perryman projects the **Austin metro will lead all other major Texas metros with a 1.75% annual growth rate**. The state's average, he predicts, will be about 1.52%.

Perryman says the contributing factors in this forecast are the state's positive business environment, low taxes, its "right-to-work" status, limited regulations, quality workforce and infrastructure. He also cited the **strength of the energy sector** as a positive.

Let's drill a little deeper into the Austin-Round Rock economic projections over the next couple of decades, because the numbers are quite interesting.

What does a **big-metro, state-leading, 1.75% annual increase in wage and salary employment** really mean for the Austin metro area? How does it break down?

Well, you start with economist **Ray Perryman's** 2007 wage and salary employment number of 774,887 for the five-county Austin metro area. If you take his annualized growth rate of 1.75% and project it out to 2030, you will find there will be a **1,154,871 person workforce in the Austin metro.**

This breaks down into a **379,983 wage and salary employment gain from 2007-2030.** It's interesting that this number is slightly higher than the actual number predicted for the Fort Worth-Arlington area and a lower than that of San Antonio.

The general population projections? What about them? **The average annual 2% population gain between 2007 and 2030 adds up to another 884,000 people** cramming into Travis, Williamson, Hays, Bastrop and Caldwell counties, according to Perryman's forecasts.

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Other endowment funding levels are also increasing – graduate fellowships and research efforts, scholarships and program support endowments, as an example. **Endowments are an important part of funding at all American universities.** Footnote: who was the first person to establish an endowment at UTAustin? **William Jennings Bryan,** in 1898, set up an annual \$25 award to the student who wrote the best essay about the science of government.

No matter how controversial it is today, public-private partnerships on major public enterprises such as airport, utility and highway projects are going to happen. The trend is starting, the math appears to work and Austin will be impacted.

We've already seen an early harbinger in the Austin area when a private company, Cintra-Zachry, offered to **build and operate – while sharing revenue with Texas – a portion of the major highway expansion** promulgated by the governor, the Trans-Texas Corridor. There was even a proposal for a private entity to **take over the Texas Lottery** and pay Texas a big hunk of money in the process. The Lottery plan didn't go anywhere. But it is likely to re-surface.

Public-private partnerships are an idea that is gaining steam at a time when various governmental entities are facing funding problems. Up to now, local and state governments have been wary of giving up control over various enterprises in return for large amounts of private money. But times are tight and higher taxes are not a popular way to raise money.

The Wall Street Journal recently reported that major investor groups looking for different investments during the national credit crisis are amassing huge funds for this purpose. Kohlberg Kravis Roberts, the Carlyle Group, Goldman Sachs, Morgan Stanley and Credit Suisse are among the investors who have **amassed an estimated \$250 billion dollars in recent years to finance major infrastructure projects in the US.**

What kinds of projects are involved? **Midway Airport of Chicago** could pass into the hands of private investors any day now. A \$1.9 billion public-private partnership will finance new **high-occupancy toll lanes around Washington, DC.** Last month, Florida gave the green light to six groups to bid for a **50-to-75 year lease on Alligator Alley**, a 78-mile toll road known for alligator sightings. There are other projects also culminating around the US.

Yeah but, isn't the Texas state government looking at a surplus? True. However, just this week, the Texas Department of Transportation (TxDOT) issued a warning saying TxDOT, and the 49 other state transportation departments, have been notified that the **federal Highway Trust Fund is low on money.** In fact, the balance in the federal highway account dropped from \$4.2 billion to less than \$1.4 billion in the last two months.

The City of Austin just this past week passed a tightened-belt budget that still included a major increase. The City owns two very attractive assets (unlike most cities) – an airport and an electric utility. And expanding roadways is always a major concern. **Billions of dollars could be tossed at the City of Austin if it indicated a willingness to consider entering into a public-private partnership on any of these enterprises.** This kind of thinking is ahead of the curve. But, with what is happening all around the country, it may appear on Austin's radar screen sooner, rather than later.

It's almost time for Central Texas's massive whitetail deer population to start moving across area roadways. Be careful: auto-deer collisions are sure to result.

Deer mating season ("the rut") begins in earnest in a few weeks and runs for several months. **This means the deer move around the area much more frequently than they do the rest of the year.** And, while normal deer movement occurs in the early morning and early evening hours – coinciding with traffic "drive times" – it is not unusual to spot movement throughout the day. In case you are unfortunate enough to be involved in an auto-deer collision, here are some tips.

First of all, **simple collision insurance coverage on your vehicle does not mean such an accident will be covered by your car insurance.** In addition, most auto insurance policies do not automatically cover the cost of a replacement rental car following such an accident.

According to the Better Business Bureau (BBB), **only comprehensive coverage reimburses drivers for loss due to contact with animals such as birds or deer.** So the BBB suggests you check your policy closely.

An auto-deer collision could be a costly proposition. The Insurance Information Institute reports that, on average, **deer-vehicle collisions cost \$2,800 per insurance claim and average around \$10,000 if there is an injury to the driver or a passenger.**

Deer are abundant throughout Central Texas, especially in areas where there is heavy vegetation. Deer are vegetarians and do not migrate more than a few miles during their lifetime if there is an ample food supply. Nearby Llano County claims to have more whitetail deer per acre than any other place in the US. And the deer population is growing.

Dr. Louis Overholster believes that if God had really meant for us to have normal blood pressure, He would never have given us the stock market!

Sincerely



Editor/Publisher