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Dear Client:

What do Michigan, Oregon, Rhode Island, South Carolina, California, Nevada, North Carolina, Ohio, Tennessee, the District of Columbia, Illinois, Kentucky and Florida have in common? More than 10% of their workforce cannot find jobs.

This is a scary situation for residents of these 13 states. **The percentage of those unemployed in those states in May range from a high of 14.1% to a low of 10.2%** — in the order listed above. And when the US Department of Labor compiles these stats, the people they count as unemployed are only those actively seeking a job.

Let's compare this to the national average and to the state of Texas. **The national unemployment rate rose from 8.9% in April to 9.4% in May. The Texas unemployment rate went from 6.4% in April to 6.9% in May.** This is just one dramatic illustration of how the Texas economy compares to the nation and to those states considered as competitors to Texas.

Where does the Austin metro area fit into this mix? In an apples/apples comparison, **the Austin area unemployment rose from 5.8% in April to 6.1% in May.** While this is an impressive comparison to all of the above, it still doesn't present the really amazing jobs story that is being told in Austin.

The Austin-Round Rock metro is the only large metro in the nation to continue to add jobs during this time of national economic uncertainty. Austin's job growth was 0.4% in April and 0.5% in May. Oh sure, the growth rate is small, but jobs are being added, not lost. No other major metro in the US has been able to make that claim for month after month.

Even more impressive, consider this: **Austin last experienced negative job growth in January 2004.** Let that sink in for a moment.

Now let's trot out another comparison to let you thank your lucky stars you picked the Austin metro area in which to live and work. **During the past year, California's Silicon Valley has lost 40,000 jobs. The San Francisco Bay Area lost 90,000 jobs in the past year.** Nationally, jobs lost in the past year total 5,523,000. In fact, Texas lost 222,400 jobs during the same time frame. **But, in Austin – 4,200 jobs have been gained during the past year.** Impressive.

Once again, Austin's solid underpinning of government jobs is primarily responsible for keeping the metro area's economy the envy of most other cities.

It has long been noted that one of the elements that keeps the Austin economy on an even keel are the number of **paychecks written by governmental entities**. It's not just because, as the State Capitol, Austin has many state government jobs. Don't forget the paychecks that are signed by one of the largest university campuses in the nation and other entities, as well.

It's long been claimed this reliance on government jobs kept Austin recession-proof. Not any more, even though Austin is currently ranked the nation's 4th most "recession-resistant city." Austin's private sector, that is much more susceptible to economic ups-and-downs, has expanded at a rapid rate – creating more fluid jobs, subject to external forces. But, currently, **public payrolls have kept the Austin metro from sliding deep into a recession.**

In the past year, May to May, the government sector in the Austin metro gained 8,400 jobs. This more than compensated for 4,200 jobs that were lost in private industry. And, as noted in the previous story, while the number of jobs overall has increased at a slow rate, **government employment increased a very substantial 5.1%**. The concentration of government jobs in the Austin area becomes apparent when you note that government jobs increased at a 2.2% rate statewide, compared to 5.1% in Austin.

Interestingly, **this increase in government employment is not triggered all that much by those widely-publicized Economic Stimulus funds from Washington.** Relatively speaking, not that many dollars made it to Texas during this May 2008-May 2009 time frame. But, because Austin and Texas have grown so much, simply providing the same level of services for a growing population results in an increase in government jobs.

As for private industry, the Austin job market is still more vibrant than in other big Texas metros – even though the numbers are all in negative territory. **Texas lost 3.0% of private industry jobs in this 12-month period. Austin lost only 0.7%.** Private industry job losses were 3.1% in Dallas, 1.4% in Fort Worth, 2.8% in Houston and 1.1% in San Antonio, according to **Beverly Kerr**, the Austin Chamber of Commerce VP/Research.

Another small stimulus to the local economy will occur the first of July – the return of the Texas Legislature to Austin to meet in a Special Session.

The governor this week called such a session. Special Sessions, by law, can extend for only 30-days. **But the likelihood is that this session will be numbered in days, not weeks** – in fact many are hoping the Fourth of July holiday will trigger an end-date. And, many observers say they expect (hope?) this session will not be overly contentious. We'll see.

Speaking of hot air (no, not another legislative story!), one of the problems with the triple-digit temperatures that have been suffocating the Austin area for days now is they tend to increase air pollution.

During the early part of this week when “breezy” described the wind conditions, there was no problem with air quality. But after mid week, the breezes subsided and a stillness set in. **The triple digit temps started cooking the air and air pollution alerts were issued.** It is serious for those with respiratory diseases, such as asthma and emphysema. They are best advised to stay indoors or at least not do anything strenuous when they are outside.

One of the pollution problems facing this area is beyond the control of those who live here. The prevailing winds from the Gulf of Mexico, to the southeast, push inward – carrying pollutants (such as noxious fumes from factories, etc.) that are generated elsewhere — across the Austin area. **When the winds die down, the pollutants hang in the air – baking in the high temps.**

Even if you do not have breathing problems, or even if you enjoy blistering, unabated heat, there is a **consequence of the air pollution that could affect you and everyone else.** And, it has to do with federal regulations and economics. Under tightened federal Clean Air Act standards, the Austin area is at risk of being declared a “non-attainment” zone for air quality.

Without going into boring detail, if air monitors throughout the Austin area register high pollution levels for more days than is allowed, **Austin will come under severe regulations** (determined by the Texas Commission on Environmental Quality) that will affect businesses and transportation projects. These regulations would apply for 20 years – 20 years! — after Austin returns to compliance.

Much of the pollution is locally generated by everyday activities — driving a car, pumping gas, mowing your lawn or blowing leaves with gas-powered devices, etc. After 6 pm and before 7 am is the *best* time for such activities. The difficulty occurs when the mercury starts rising, setting records, as it has this week. Was it back in the days of Rudyard Kipling when residents in India coined the phrase that “only mad dogs and Englishmen go out in the mid-day sun?” May be a bit of truth in that, but for different reasons today rather than yesteryear.

The excessive heat exacerbates the extreme to exceptional drought conditions across much of Central Texas. Year-to-date rainfall is generally between 4 and 8 inches below normal.

The Lower Colorado River Authority reports the Colorado River above Lake Buchanan, the San Saba River and the Llano River are flowing slowly and most smaller streams have no flow. **Lake Buchanan this week was 13.6 feet below and Lake Travis was 26.0 feet below their historic June averages** – reflecting rainfall deficits that started in the fall of 2007.

You couldn't tell the Austin area is in the midst of an extreme drought if you drive through Zilker Park. There are acres of grass where none has existed recently – and it's green!

We're talking about **42 acres of new grass sod** in the north portion of the park, alongside the main drive through the Park. **Water is being poured regularly on the 42 acres** to encourage the growth. **The cost is roughly \$2.5 million.** What's going on here?

Well, first of all, the grass in that area has been trampled unmercifully – especially by the wildly-successful Austin City Limits (ACL) Festival. For example, in the last three years the **3-day music festival has attracted about 65,000 people to the park each day.** The biggest complaint each year (besides the heat) is the dust that has been kicked up by 130,000 feet grooving to the music each day.

What to do about this large downtown park that is for *all* the people, *all* the time, rather than just the 3-day festival-goers – many from out of town? When we said the ACL Fest was wildly-successful, we maybe should've pointed out that **it is “wildly-financially-successful.”** So, a private-public partnership emerged.

The cost for the renovation is being largely borne by the ACL Fest producers. The water-soaking is to get the grass in prime shape to hold up better by the battering anticipated from this years' Fest-goers.

This brings us to a second element that may help the grass. In years past, the Fest has taken place in September. But with 3 out of the 4 upcoming September weekends blocked out for the 100,000 attendees at Texas Longhorn football games, the Fest producers selected **October 2-4 as the dates for this year's ACL Fest.** This gives the sod more time to mature and, who knows, it might even be a little bit cooler? Certainly less dusty. And, with a little luck, the grass can be **rejuvenated quickly for all park goers to enjoy year round.**

Dr. Louis Overholster reassured one of his older patients who is suffering some memory loss by saying: “At least your secrets are safe with your friends because they can't remember them either.”

Sincerely



Editor/Publisher