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Dear Client:

**California is hemorrhaging jobs at a rapidly-increasing rate. Austin, other Texas cities and other business-friendly states are the recipient of those jobs. The lost revenue damage to California is estimated to be in the billions of dollars.**

Recent reports from California are staggering. A California-based business re-location coach, **Joe Vranich**, has tracked “disinvestments” in the state for the past three years. He defines “disinvestment” as **including choosing to *expand* outside the Golden State to picking up and moving the entire operation.**

Vranich reports that in 2009 disinvestments averaged just one a week. Last year, the total jumped dramatically to 3.9 per week and this year the pace of disinvestments in California is 5.4 per week. Think about this. **Each week more than five California companies make decisions to create jobs outside the state.**

Actually, it’s worse than that. He points out small businesses aren’t required to make the disclosures that larger ones are. Vranich says “a conservative estimate is that **only one out of five company departures becomes public knowledge.**” **As a result, he says this means California may suffer more than 1,000 “disinvestment events” this year.**

A report in the *San Francisco Business Times* quotes a UCLA forecast that says **California’s unemployment rate won’t fall below 10% until the middle of 2013.** Well, no wonder. California jobs are disappearing.

Contrast that with this week’s quote from *USAToday* referencing **both population growth and income increases**: “Texas notched one of the biggest increases in size in a half-century, surpassing \$1 trillion in annual economic output. The state gained nearly a full percentage point in its share of the US economy during the decade, reaching 8.3% in 2010. **This growth in economic clout has been matched only twice in the past 50 years** – by California in the 1980s and Texas itself during the 1970s oil boom.”

**Texas leads the list of states getting California jobs**, followed by Arizona, Colorado, Nevada, Utah, Virginia and North California. **And Austin is getting more than its share.**

**Even as the first wave of local and state budget cuts started to be felt in May, the Austin area continued its enviable job growth.**

The budget cuts in May were felt primarily in the government sector where a total of about 600 jobs were lost. **But employers in the Austin area added 3,900 jobs from April to May, more than offsetting the initial job losses due to budget cuts.** The 5-county Austin metro unemployment percentage in May was 6.7%, compared to May a year ago of 6.9%.

**So jobs are up and unemployment is down – both good.** Don't be misled by the fact that April's unemployment was 6.5%. The best comparison for unemployment is year to year, not from one month to the next – due to seasonal hiring in certain job sectors. For instance, retail hiring usually drops in January following the holiday selling season.

**Five years ago, UTAustin quietly began an ambitious effort to raise \$3 billion by August 2014. What have been the results of the drive to date, during these tough economic times?**

The “quiet phase” began September 1<sup>st</sup>, 2006. This was the time when **big donors were tapped to prime the pump** so that when the drive was officially announced in October 2008, there would be a **momentum-building pot of money already in the till.** It worked.

Roughly half a billion dollars is a pretty good “start” on the road to raising \$3 billion. **However, the economy started cratering about that time and it became much tougher to pry money loose from skittish donors.** Still is. But the effort is continuing as August 31, 2014 looms closer.

**President Bill Powers reported the midway point of the campaign was passed this month, with \$1.55 billion in gifts and pledges.** He said: “I want to thank the nearly 200,000 alumni, friends, parents and organizations who have contributed to The Campaign for Texas.”

Most of the contributions, by far, have gone toward **Programs and Research** at UTAustin (645,273 gifts worth \$920 million). **Facilities** (1,854 gifts worth \$338 million), **Students** (23,466 gifts worth \$176 million) and **Faculty** (1,813 gifts worth \$66 million) are the other beneficiaries.

UTAustin is a *public* institution. So why does it seek *private* support? **Twenty-five years ago, the State of Texas contributed 47.1% of the University's budget. Today that share is only 14%.** Couple that fact with UTAustin's most ambitious goal yet – to be the **best public research university in the nation** – and you can see the need for private funds. Powers is plowing ahead. When he announced reaching the fund-raising halfway point, he said: “Even as we celebrate this milestone, we recognize that much work remains.”

**The Senior Executive Editor of *Texas Monthly*, Paul Burka, has covered the Texas Legislature for decades. So what does he think about this current legislative session? Hint: not much.**

In a discussion this week on his blog, BurkaBlog, he weighed in on the Legislature's consideration of **the airport "anti-groping" bill**. He used his disdain for the bill to opine on this current session of the Legislature. Here's a direct quote from his blog:

"It's hard to entertain a serious discussion of this bill. It is hard to contemplate that 112 members of the House would sign on to this bill as co-sponsors. I'm almost at a loss for words, except that **by now we ought to be used to the idea that this is the worst legislature that the Capitol has seen in forty years** and there is no end to the silliness (not to mention the harm) it is willing to perpetrate." Don't mince words, Paul. Tell us how you really feel.

His reasoning on the anti-groping bill: "I do not see how this statute can have any force or effect. **It is an attempt by the state to create a criminal offense that applies to federal officials carrying out their lawful duties.** In any other year, this piece of legislation would be allowed to die peacefully without a hearing. Not this year."

"If a federal official thinks that a person should be 'patted down' in order to ensure public safety, **it is the duty of that official to take all necessary steps to protect the public – and I don't mean protect persons from being groped,**" said Burka, a reporter/attorney. "I mean protect them from the kind of calamity that can result from the failure to detect and prevent a threat to the public safety."

"The Legislature is playing with fire," Burka wrote. "If the statute makes it impossible for federal officials to perform their lawful duties, **the federal government can close airports.** I hope it doesn't come to that, but this attempt to prevent federal officials from doing their lawful duty could have **grave consequences for Texas air travel and for the Texas economy.**"

Incidentally, this bill embodies an age old debate about the constitution. On the one hand, the 10<sup>th</sup> Amendment says **any power not given to the federal government is reserved by the states.** But, Article 1 indicates **Congress has the power to regulate interstate commerce.** Of course airlines are engaged in interstate commerce and they land in individual states. We'll let the constitutional lawyers debate this one.

So, as you might expect Burka's observations triggered a spate of responses on his blog site, many of them taking issue with him. But, interestingly, last time we checked his blog, **the heated comments were directed to his interpretation of the bill** – not for his assessment that this is the worst session of the Legislature in decades.

**Based on Travis County home sales in the pipeline, it appears the residential real estate market is moving in the right direction — at a steady pace.**

The number of pending home sales is up significantly. **It takes longer to close a home sale these days even after buyer and seller agree.** So, the pace of closings may contribute somewhat to pending sales stacking up a bit. And tighter lending standards play a role in this, even though interest rates remain near all-time lows. But the fact remains that, **comparatively speaking, the number of pending sales is higher than it has been by a significant factor.**

As you look closer at the number of current pending sales, it is interesting to see if they are concentrated in a specific price range. In other words, **what price points are selling?** Of course, these numbers change daily, but as of mid-week, here are the **Travis County totals:**

As you would expect, **homes in \$250,000 and below price range lead the pack with 846 pending sales.** And the next level – from **\$251,000 to \$500,000 — also has a hefty 496 homes** where buyers and sellers have agreed and are just awaiting closing. These categories are the meat and potatoes of the housing market and the fact there are **1,342 pending home sales indicates a very healthy real estate market.**

The *upper* categories always have a smaller share of the total numbers, but even at these price points there is an impressive number of pending sales: **128 home sales pending from \$501,000 to \$750,000 ... 53 pending from \$751,000 to \$1 million ... 24 from \$1 million to \$1.5 million and 21 above \$1.5 million.** This spread again reinforces that fact that the *overall* real estate market is on the uptick.

Bottom line: although some sales might not end up closing, **home sales are trending upward.**

Speaking of making decisions, such as buying or selling, **Dr. Louis Overholster** maintains that good judgment comes from experience, and a lot of that comes from bad judgment!

Sincerely



Editor/Publisher