



Volume 36, Number 17

July 18, 2014

Dear Client:

Now that the very public flap between the UTSYSTEM Chancellor and the UTAustin President has been resolved, does this mean smooth sailing going forward? Not necessarily. Significant issues remain. Here's the inside skinny on what is on the horizon, starting with replacements for those two key positions.

First, let's acknowledge one of the most important *benefits* that occurred when it was agreed UTAustin President **Bill Powers** will remain in his position until next June: the tamping down of a potential "campus uprising." **Faculty, staff, students – even alumni leadership – were on the verge of major hell-raising during this particularly critical time for UTAustin.** It could've been messy. But those waters have been calmed -- for now.

To understand the remaining issues, you start with the realization two of the key people in this power play are both lame ducks. **Chancellor Francisco Cigarroa long ago submitted his resignation**, subject to his replacement being named. Of course, **Powers has less than a year remaining.** It now appears a new chancellor could be selected by the UTSYSTEM Board of Regents in as soon as 30 days.

Two finalists have been publicly announced by the Regents – Admiral **William McRaven** and Dallas Federal Reserve Chair **Richard Fisher**. The board has expressed a desire to move expeditiously. The Chancellor, along with the Regents, will select the next UTAustin President.

So, what is likely to happen with these two power positions? The smart money is betting **McRaven (with stronger management/leadership credentials) will be named UTSYSTEM Chancellor.** And one line of thinking is that **Fisher (with stronger academic/leadership credentials) could soon thereafter be tapped as UTAustin president.**

Interestingly, **McRaven and Fisher are no shrinking violets – they both have strong personalities.** And you can bet both of them, being well aware of the current struggles, will elicit assurances of support should they accept a new job. Then the question remains: **how will two new people in these positions affect the institutions going forward?** We mentioned at the outset this was a "particularly critical time" in the life of UTAustin. Check out the next item as this reference is put into perspective.

The next year can be pivotal for Austin’s mighty economic engine, UTAustin – maybe more so than at any time in the recent past. And it’s not just one issue. Take a look at a number of factors that could have a major impact.

The most ambitious fund-raising effort in UTAustin’s history is nearing an end, still short of its \$3 billion goal. A **new med school** is coming out of the ground. A **new governor and new lieutenant governor** will preside over **legislative budgeting** for the next two years for UTAustin. Oh yeah, the legislature is considering a **rare impeachment of a UTSYSTEM Regent** and **three new regents will be appointed** to the 9-member board. Underlying all of this are important philosophical differences over **undergrad teaching vis-à-vis research**. There’s more, but you get the picture. Let’s share a little insight with you on some of this.

Perhaps the most interesting aspect of these developments revolves around the state’s two highest elected officials and the legislature. While Democrats will quarrel with this assertion, **the polls overwhelmingly favor the election of Republicans Greg Abbott and Dan Patrick as governor and lieutenant governor respectively.**

If this comes to pass, Abbott will appoint three new members of the UTSYSTEM Board of Regents to replace three Gov **Rick Perry** appointees whose terms expire. How this will affect the board makeup remains to be seen as the six remaining regents are all Perry appointees and three (**Brenda Pejovich, Alex Cranberg and Wallace Hall**) have been the most adamant in their critiques of UTAustin’s leadership. Hall is facing possible legislative impeachment for his regental actions.

Here is where it gets even more intriguing. Lt. Gov. **David Dewhurst** was one of UTAustin President **Bill Powers’** most ardent and strongest defenders. **Dewhurst was defeated by Patrick, who received big campaign contributions from Hall, and the two of them were pictured together celebrating Patrick’s victory Election Night.** The Hall brouhaha is sure to be front-and-center regularly.

However, even in this unsettled environment, **progress on the Dell Medical School should continue unabated.** It’s likely the **\$3 billion fund-raising effort will go over the top** this fall. And UTAustin **legislative appropriations are not expected to be gutted.**

But the very real, and very deep, philosophical debate of “teaching vis-à-vis research” will continue. Its tentacles reach broadly into **recruitment and retaining world-class faculty.** Also caught up in this debate will be the **cost of tuition** and there will be further fallout on charges of **favoritism in UTAustin’s admissions policies.** The overall situation cannot be described as fragile, but it is certainly a bit tenuous with so many moving parts.

Throughout all this, **the spotlight will be on Powers, the new Chancellor and possibly even Powers’ successor** who could be tapped prior to the end of Powers’ presidency.

An astronaut who spent six months in space, a football player who is ranked among the best ever, and an Academy Award winning movie star are three of six UT Austin alums who will be honored as 2014 Distinguished Alumni.

The football legend and the acclaimed movie actor will not travel far to receive the honor because **Earl Campbell** (BS '79) and **Matthew McConaughey** (BS '93) have homes in Austin, as does historic preservationist **Dealey Decherd Herndon** (BA '69). Astronaut **Karen Nyberg** (MS '96, PhD '98), former regent **Scott Caven** (BBA '64, LLB '67) and financial leader **John Massey** (LLB '66) will also receive their awards at the LBJ Library 10/17/14 in Austin.

Texas and North Dakota already produce nearly half the oil output of the US. And recent legislation introduced in the US Senate would expand the output of natural gas.

The bill is dubbed the North Atlantic Energy Security Act. It would allow the US to **export natural gas to European allies** and it would **expedite permits to liquefy natural gas** so that it is more easily transported abroad.

Europe is heavily reliant on antagonistic Russia for natural gas. Senator **John McCain**, one of the bill's authors, said this measure could "help our European friends to become independent of **Vladimir Putin's** energy ... **and could literally change the world.**"

It could also positively change the economy of Texas. The South Texas Eagle Ford and West Texas Permian shale plays – already topping the charts in production – would benefit greatly, as would the ports of Corpus Christi and Houston and the expanding energy industry on the Texas Gulf Coast. And, as we have regularly reported, the resulting increased tax collections would keep filling the state's tax coffers and benefit Austin, the seat of state government.

Think you've been hearing more about vehicle recalls lately? Well, you're right. Nearly every major automaker has been issuing recalls recently. What's going on here?

General Motors and Toyota have been in the headlines more than other manufacturers lately, but they are not the only makers issuing recalls. Obviously one of the reasons for all the recalls is shoddy manufacturing. But what is causing this? Our friends at *Kiplinger* pose two reasons.

"One explanation for the surge is that manufacturers increasingly use a single platform to build multiple models, meaning one bad part can affect a number of models," noted *Kiplinger*. Also, "the government's **more active safety stance** may be increasing the number of recalls as well."

Democratic Austin State Senator Kirk Watson is a bit peeved at Republican Lieutenant Governor David Dewhurst, who was defeated for re-election. But the State Legislature will not re-convene until January when Dewhurst will no longer be in office. So what's the beef?

The chief responsibility of a sitting lieutenant governor is to preside over the State Senate. The job is so important that, in years past, **the office of lieutenant governor has been called more powerful than that of the governor.** Even though the Texas Legislature meets only every two years, the months leading up to the session are usually busy with legislative committees working on issues that will be considered when the session convenes.

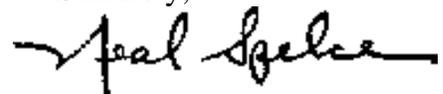
This is what is triggering Watson's concern. "The Senate is in an unnecessary coma. It's not functioning (insert obligatory joke about government never functioning). **There's been no word on who will handle the important committee work that happens – or should be happening – in the interim.** This badly limits preparation for the legislative session that's now only about six months away," noted the Austin Senator this week.

"Only the lieutenant governor can make the important committee appointments that would allow us to get to work," said Watson. "We haven't had a chair of the Finance Committee (yeah, the one that should be working on the next budget) since late October. **Of the Senate's five spots on the critical Legislative Budget Board (LBB), two are vacant.** And several incumbent senators who are committee chairs are leaving the Senate."

On the other side of the rotunda, for example, Speaker of the House **Joe Straus has filled the House's three vacant LBB seats,** even though he will not technically be re-elected to the Speakership until the new House of Representatives convenes in January.

Dr. Louis Overholster reports Senator Watson is recovering from surgery on his right thumb. Overholster says this is one of the worst afflictions a politician can have. After all, the painful right thumb is on his hand-shaking, glad-handing, back-slapping hand!

Sincerely,



Editor/Publisher