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Dear Client:

In less than two months Texas legislators descend upon Austin. And UTAustin is gearing up for its every-two-year request for state-appropriated funds. Ironically, its current funding is reinforced by the same source that has increased state budget balances – the oil and gas boom.

There is only one oil rig on the UTAustin campus and it is for display only. But it represents a huge financial asset other US universities can only dream about. More than a century ago, state and university leaders dedicated **revenue from several million acres of rattlesnake-infested, state-owned cactus country in West Texas for the benefit of higher education.**

Lying under this land is one of the richest oil and gas fields in the world, the Permian Basin. And due to a technological advance called “fracking,” this field now – and for the immediate future – will pump out **massive amounts of oil and gas-related royalties.** **These payments directly benefit UTAustin** (and the state of Texas taxes the revenue produced by energy companies that do the pumping).

Speaking about that revenue, UTAustin president **Bill Powers** said “some good news comes from the Permian Basin and technological advances in recovery methods. I am optimistic about our future if we use those assets well.” He praised the UTSystem Board of Regents for loosening the restraints on that funding, saying “**I am gratified that our Regents have begun to tap into those resources more strategically, and I applaud them for it.**”

But even with this revenue, Powers said “we sorely need adequate resources, both for recurring operations and for capital projects. **We are at or near the bottom of our peer group in terms of per-year, per-student state resources.**” So Powers, and other higher education leaders, will be making the case for additional funding in the upcoming two-year budget cycle.

And the state will have more money than ever before to allocate. The increased tax revenue from oil and gas taxes has helped to swell the available monies. But, as before, other state agencies will also have requests for funding. And those requests will no doubt add up to be greater than projected revenue.

It’s interesting that both UTAustin and the state are dealing with increased money – from the same source. **Yet the budget battle remains the same.** Same song, umpteenth verse.

This will give you an idea of the importance to Texas of the oil/gas boom: Texas led the US in new energy jobs last year – by six times the second place state.

The 19,000 new private-sector energy jobs in 2013 reflect only an on-the-ground count for drilling, completion and support jobs. The Energy Information Administration report also noted **oil and gas production workers earned an average of \$108,000 last year**. And this does *not* count jobs added at the many oil and gas corporate headquarters in Texas.

Sign of the changing times: you can now earn a top-ranked college degree in Texas on the use of unmanned aerial systems (UAS) – drones.

TexasA&M-Corpus Christi has been ranked among the Top Ten universities offering these degrees – the only university in Texas to be included on the national list. **The university's specialty focuses on studying how to incorporate UAS into marine environments** using an RS-16 unmanned aerial vehicle (UAV) and other UAVs such as eBee and rotorcraft.

Many may think Austin is the center of the job creation universe. But you just have to look a little bit down the road to find a company from Spain setting up its first-in-the-US plant.

This \$58.5 million manufacturing plant and research center, while a short distance from Austin, is a long way from a high-tech facility. Located on 50 acres in Seguin, **Siro Group USA will produce cookies, pastries and other snacks**. Why Seguin? Or why Texas, for that matter? Texas titan H-E-B is the largest distributor in Texas for the firm's cookies, crackers and cakes.

Look for an Austin communications guru to play a key campaign role if, as expected, Hillary Clinton seeks the Democratic Party's nomination for president. It won't be Roy Spence's first presidential rodeo or his first effort helping the Clinton family.

One of the founders of much-lauded GSD&M ad agency, Spence's Democratic Party political roots go way back. He handled the media for Democrat **Walter Mondale's** unsuccessful quest for the presidency. And he became a close friend and advisor to the Clintons, dating back to before, and during, **Bill Clinton's** presidency.

By the way, two other Texans are darlings of national Democrats. San Antonio twins **Julian and Joaquin Castro** are moving up the national political ladder. Former Alamo City mayor Julian is in President Obama's cabinet and this week Congressman Joaquin was mentioned as a possible Chair of the Democratic Congressional Campaign Committee.

Texas energy future – and all that that entails economically – is secure for decades and maybe beyond. Why? Because it dominates the energy troika of oil/gas, wind and solar. This has huge implications for the Austin economy, even though Central Texas is more a consumer of energy than a producer.

Take this statement with a grain of salt (because it comes from *Wikipedia*): **Texas should remain “an energy exporting state for as long as people live on the planet.”** Texas is used to grandiose comments, but this seems a bit over the top. However, it underscores our point about the long-term energy dominance The Lone Star State will enjoy. Examples:

Wind power set a new record in Texas this month. Even though it is in its infancy as an industry, many feel wind power is on its way to becoming a major player in the energy industry. **And Texas has, by far, the most wind power of any state. In fact, it produces more wind power than many countries.**

Solar power has not yet reached wind power’s development. But it is on its way. And Austin is leading the pack. **The largest solar farm in Texas is the Webberville Solar Farm, on the eastern edge of Austin.** It began operation in December 2011. The 2nd largest is southeast of San Antonio. And solar farms are even more cost effective in West Texas.

Of course, the **oil/gas boom** has been well chronicled by us over the years, and as recently as in our October 10th 2014 edition, where we detailed a current university study that just **expanded exponentially its original Texas energy forecast for the future.** The nation-leading oil/gas potential is mind-boggling.

The geographic diversity of Texas is the basic reason all this works. But it has taken the risk-taking and ingenuity of Texans to make it happen. For instance, Houstonian **George Mitchell** who died recently, pioneered “fracking” to allow companies to dig deep under Texas soil to unleash the current oil/gas boom. And the boom shows no sign of abating anytime soon, even though oil and gas are finite resources.

The blistering Texas summer heat and the windy plains of West Texas – long a source of complaints about Texas weather – are major assets for the generation of solar and wind power. Even the **Gulf of Mexico winds that overturn beach umbrellas** are great for the big propellers that crank out wind energy. (One wag suggests this is what you call making lemonade out of lemons.) It’s obvious geographic diversity is the main energy asset for Texas.

To bring this full circle, remember what you read in the first item -- how UT Austin benefits financially from oil/gas. **Well, those same West Texas lands can sustain wind farms and solar arrays in the future.** And remember what we pointed out October 10th: **energy tax revenues are pouring into state government to provide services and jobs in Austin. It’s a good economic time – now and in the long-term – to be in Austin and Texas.**

Which unique Austin business stands out as most reflective of the uniqueness of the city? You can probably name many. But, a six-week contest has narrowed the candidates to two.

The fun contest started back in October by the *Austin Business Journal (ABJ)*. It started with a list of 64. The *ABJ* called it the Austintatious Business Contest. The contest winnowed the names down to a Final Four and, ultimately, this week to the Top Two. Now, close your eyes. Without looking down to the next paragraph, can you name them?

Okay, so you didn't close your eyes. Here are the Final Four: **Amy's Ice Creams ... Broken Spoke Dance Hall ... Alamo Drafthouse Cinema ... South By Southwest.** Two have been eliminated from the contest. And now it's down to the Top Two. Here they are.

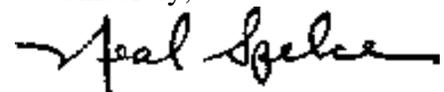
Amy's Ice Creams. *ABJ* comments: "This chain of quirky and cool ice cream shops revolves around fun – as does Austin. **If you want to work there, grab a brown paper bag and get creative with it because that's your job application.** The hiring process is just one of the many weird ways Amy's keeps it cool." The owners are **Amy Simmons** and husband **Steve Simmons**.

Alamo Drafthouse Cinema. *ABJ* comments: "This Austin-born chain of movie theaters entertains audiences by **mashing up food (and even live music occasionally) with first-run movies and cult classics.** And the theater chain's spinoff are certainly keeping things weird, inspired by the vision of CEO **Tim League.**" **Spinoffs such as buying up some of the oddest movies on Earth.**

The winner of the most Austintatious title will be named after this week's voting.

Dr. Louis Overholster has learned the following things while watching movies: 1) A detective can solve a case only after being suspended from duty, 2) It is always possible to park directly outside the building you are visiting, 3) Once applied, lipstick will never rub off – even while scuba diving, and 4) The Eiffel Tower can be seen from any window in Paris.

Sincerely,



Editor/Publisher