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Dear Client:

Because UTAustin is world-renown, it often overshadows most of the 13 other institutions in the UTSsystem. Understandable. After all, UTAustin is the flagship university in the well-regarded UTSsystem. But other institutions, especially those that specialize in health care, are exceptional in their own way. So, if they are all part of the same System, why not develop a collaboration to make them all even better? This is happening as we speak, thanks to a new initiative by UTSsystem Chancellor Bill McRaven.

The odds are you have not heard about it, but it could be a big deal. It's called the UT Health Care Enterprise. **"We intend to leverage the size and expertise of all our health institutions** to ensure we are providing Texas, the nation and the world with the finest health care possible," said McRaven when the UTSsystem Regents recently approved the collaborative project.

That approval carried with it an allocation of \$45 million in Permanent University Fund (PUF) bonds for a cancer collaboration to be divided almost equally between five locations: **UTAustin's Dell Medical School, the famed MD Anderson Cancer Center, UT Health San Antonio, UT Health Northeast and UT Medical Branch in Galveston.**

"We have an opportunity to develop System-wide service lines and combine MD Anderson's world-leading cancer expertise with the unique strengths of four additional UT health institutions," McRaven observed.

McRaven has been pushing for two years now to make the most of the UTSsystem collective strengths. **This is now the UTSsystem's first-of-its-kind cross-institutional collaboration.**

The PUF dollars for this Health Care Enterprise are not subject to action by the Texas Legislature. But, realizing full well the **Legislature, now convening in Austin, is looking at a tight budget situation as it decides to allocate resources for higher education** and other state needs, the Chancellor is saying all the right things.

Such as: **"While we have bold plans at the UTSsystem, we know we don't have a blank check. So we are going to be relentless when it comes to prioritization** – to making sure we're allocating our resources efficiently and effectively." It will be instructive to watch the ultimate budget allocations for the UTSsystem, as well as UTAustin, in the months ahead.

The revenue projections for Texas government as a whole, in fiscal years (FY) 2018-19, will decline 2.7% from the last legislative session. Yet the state is doing very well economically. What's going on here? Let's dig a little deeper (though not enough so your eyes glaze over).

“The resilience of the Texas economy with the end of the oil surge has surprised many, and prospects for continued expansion are encouraging,” enthused Texas economist **Ray Perryman**. As an example, he pointed out **“we’ve been able to create about 400,000 jobs over the past two years with our largest export industry firmly in the doldrums.”** So why the tight budget to finance the overall government? One word answer: transportation.

State Comptroller **Glenn Hegar** (whose revenue estimates, by law, cannot be exceeded) says a key reason for the decline in revenue to pay for government *as a whole* is that **billions of dollars are dedicated to be spent solely on roads, bridges and other transportation projects.**

And it's a big change from the past when transportation funds have come largely from fuel taxes paid at the pump, as well as annual car-owner fees. For instance, **the \$12.8 billion dedicated to the Texas Department of Transportation (TxDOT) in 2018 is more than triple the \$3.6 billion in 2007. And in 2019 another \$12.6 billion will go to highways, bridges and other mobility projects.**

Wait a minute. **How was this allocation of funds taken away from legislators?** State Senators and Representatives can't touch those dollars. Why? Because you, the people, voted for it via the constitutional amendment process. And this reduces the amount of money to fund other state needs and state agencies.

“If not for the new constitutional provision dedicating up to to \$5 billion in biennial sales tax revenue to the State Highway Fund starting in fiscal 2018-19, projected funds available for general purpose spending for 2018-19 would be \$109.6 billion, 1.7% greater than in 2016-17,” Hegar observed.

Those constitutional provisions were passed overwhelmingly by voters statewide – with a hefty approval in Austin – who were concerned about transportation problems. If the revenue estimates are accurate, **the revenue will be more than the state has ever received specifically for transportation projects.**

Bottom line: it's all a matter of priorities. **And Texas voters have placed transportation issues among the highest priorities.**

Back to Perryman for a moment. “Looking ahead, the Texas economy is likely to continue to diversify away from dependence on oil, though clearly energy will remain an important driver of business activity,” predicted Perryman. **He also said expansion in Texas is projected to outpace the nation over the next five years.**

Thinking about running against Gov. Greg Abbott if he seeks re-election or chooses another office? Well, you better get cranking to raise a buncha money.

As of the latest campaign reporting period that ended December 20, 2016, the gov reported he had \$34.4 million cash on hand. Total new donors in 2016: 16,000.

It's about to get a lot better to pick up arriving passengers at Austin-Bergstrom International Airport (ABIA). The free Cell Phone Lot at ABIA, where you wait until the passenger's plane lands, is getting a major upgrade.

The Cell Phone Lot is a good idea to begin with. **It cuts out "cruising" time while waiting for the plane to arrive.** And it is efficient, especially because you can check to see if a plane is late and plan accordingly. But it is becoming more than a free parking lot. Improvements underway right now include **new shopping, restaurants, a gas station and kids play area.** During the construction period, signs will direct drivers to a larger temporary location. The new renovated lot is expected to be completed this summer.

Later this year, the huge, luxurious Fairmont Hotel will open its 1,048-room hotel downtown near the Austin Convention Center. It joins Marriott's top-of-the-line, 1,000+ room JWMarriott Hotel to make Austin one of the few US cities to have *both* premier brands in its downtown, "JW" and a Fairmont. White Lodging stepped-up big-time and bought the land for the "JW" – a big investment.

But what about the land where the skyscraper Fairmont is under construction? The Manchester Financial Group made the big investment to bring the Fairmont to Austin (only its 2nd location in Texas) but it didn't *buy* the land to do so. **Instead, the City of Austin cut a 99-year ground lease deal for the property with Manchester.** Two different approaches and both enhance the hotel scene in Austin.

Okay, if the US economy grows a little faster this year, Texas will benefit -- according to the TexasA&M Real Estate Center Chief Economist, Jim Gaines. He says a lot of the national growth is going to find its way to Texas.

"We have become sort of a bellwether state for growth and development," says Gaines. He continues to predict **"our housing market is going to do well. We're anticipating a slight increase in overall volume in the market in 2017,** but probably not as dramatic an increase we saw two or three years ago."

Austin has more million-dollar homes than any city in Texas. Think about this. More than Dallas and Houston -- the hometowns of many more millionaires and billionaires. Is this a good thing (more property tax revenue) or a bad thing (many Austinites priced out of this market segment)?

As reported by **John Egan** in Culture Map Austin: “In The Austin metro area, **19.2 of every 1,000 owner-occupied homes** -- houses, condos, and other dwellings -- are valued at \$1 million or above, according to Census Bureau estimates for 2011 through 2015.”

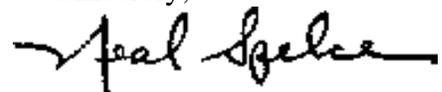
How does that compare to larger Texas metros where wealth is presumed to be concentrated? For **Houston**, it is 15.2 out of 1,000 ... for **Dallas-Ft. Worth**, it is 13.5 out of 1,000 ... for **San Antonio**, it is 8 out of 1,000.

Well, what about more recent figures than 2011 through 2015? The Census Bureau has not updated its comparative info, but according to a report from the Texas Association of Realtors, “**sales of luxury homes in the Austin area grew 23% during the first eight months of 2016**, compared with the same period in 2015,” reports Egan. And he notes homes in the **Austin area had the highest price per square foot -- \$345 – for homes valued at more than a million dollars** than homes in other major metro areas.

It should be noted Austin’s “luxury” home market is very volatile these days – sales have slowed, for instance. But, as residents move to Austin from a greatly overheated real estate market in California, they can’t believe the lower prices here. So, consequently, they take the big bucks they got from selling their former home, and they keep **upward pressure on Austin luxury homes prices by getting what they feel is a “good deal.”** All this bears close scrutiny.

Always on the cutting edge of medicine, **Dr. Louis Overholster** has discovered a method for building up immunity to the dreaded Ashe Juniper Cedar Fever: regular consumption of gin since it is made from juniper berries. He is writing prescriptions for daily consumption of gin so you can claim martinis as a medical expense (no, we will not give you Dr. Overholster’s phone number)!

Sincerely,



Editor/Publisher