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Dear Client:

As a New Year begins, most folks only look ahead and plan for the upcoming year. But, economists are not “most folks.” Part of what they do is go out on a limb and look waaaaay out. In the case of Texas economist Ray Perryman, would you believe 25 years – between now and 2045? Austin’s economy is strong now, and his long-range prediction for the next quarter-century is very positive for the Austin metro area.

Long range economic forecasts for the Austin area have not always been bullish. Back when Austin was only a state-government-state-university town -- **modest economic growth was the standard. In fact, going back to only 1980, a 25-year forecast would have been grossly underestimated.**

That was then. This is now. Here’s what Perryman said in the first days of 2019: “The Austin-Round Rock metro area remains one of the top performers in the state and continues to attract national attention; **the area is projected to be a strong performer over the forecast horizon.**”

All that verbiage is well and good. But what about numbers? What will happen to the job situation? “**Nearly 665,100 new jobs are likely to be added by 2045,**” Perryman predicted. Whoa! This is a whole lot of new jobs, new payrolls, new residents in the 5-county metro area.

When you break down his job numbers, you find it **amounts to a 1.78% annual growth rate, spread out over the next 25 years.** Sure, the Austin metro has notched a higher annual growth rate than that in the past. But, when you average the ups-and-downs certain to occur over a quarter-century, this is impressive.

In fact, Perryman’s predicted 1.78% job growth rate ties the **Dallas-Plano-Irving** Metropolitan Division and leads the others: the **Fort Worth-Arlington** Metropolitan Division, 1.58% ... **El Paso** metro, 1.5% ... **Houston-The Woodlands-Sugar Land** metro, 1.64% ... **McAllen-Edinburg-Mission** metro, 1.64% ... and **San Antonio-New Braunfels**, 1.66%.

Interestingly, about 72.4% of Texans live in these major metros. And that percentage has been rising. In fact, Perryman predicts through 2045, 80% of new jobs will be in the seven largest metro areas in Texas.

It's a bit confusing, but here's the skinny. State Comptroller Glenn Hegar late this week reported "state sales tax revenue totaled \$2.87 billion in December, 4.7% more than in December 2017." All good. But, this is *not* an indicator of how retail sales fared in Texas during the all-important year-end holiday selling season. Here's why.

Texas *cities* collect sales taxes, then send them to the state. The state takes its share of the big bucks and remits the remainder to the collecting entities, releasing the numbers to the public. If this follows past procedures, **these retail sales taxes were actually collected in October and sent to the state in November.**

The state releases the totals two months following the sales. **So, these numbers reflect a solid October retail sales. However, the critical November and December retail sales numbers have yet to be reported.** End of confusion? Hopefully. This is not only important to gauge the economic health of Texas retailers, but the **sales tax is the largest source of state funding for the state budget.**

Speaking of taxes, high-tax states are losing more and more of their populations to lower-tax states like Texas where there are no state and/or local income taxes. *The Wall Street Journal* recently editorialized that "since 2010, a net 710,000 people have left California for other states." In spite of its thriving tech industry, the state is losing more people than it gains.

In addition to people, the *Journal* cited a study this month by business relocation consultant **Joe Vranich** that "estimated **1,800 businesses shifted jobs or capital out of California in 2016 and about 13,000 companies have left the state since 2008.**" Texas is the top destination for such moves, and the tax picture figures prominently in those decisions. But it's more than that.

Californian Vranich jokes he loves California weather, but not its business climate. He was recently quoted as saying: **"The legal climate has become so difficult that companies should consider locating in jurisdictions where they will be treated fairly."**

He went on to say **hostility toward businesses, high utility and labor costs, punitive regulations and worrisome housing affordability for employees** are among California's negatives. He also said California has reached a "tipping point" with the Immigrant Worker Protection Act, a new statute he says puts businesses in a legal "lose-lose" situation.

Texas has been the #1 state Californians have relocated to for at least a decade, but other states have seen in-migration from CA. In order behind Texas: Nevada ... Arizona ... Colorado ... Oregon ... Washington ... North Carolina ... Florida ... Georgia and Virginia. His prediction: **"Signs are that California politicians' contempt for business will persist."**

Looks like the Texas Legislature’s Austin-bashing may expand to Dallas, Houston and San Antonio, where left-leaning City Councils have passed local ordinances – much like Austin’s Council has done – that have angered conservative state lawmakers. In anticipation of potential legislative action, when the 86th Texas Legislature convenes in Austin next week (1.8.19), Austin State Senator Kirk Watson is sounding off.

Watson, a Democrat in the minority, calls it “**hating on the state’s most prosperous city.**” He says Austin is an easy target for Republicans in control of the Texas Capitol. “Everything we do is right here, in their face,” he added.

“Sometimes it’s a little weird – that’s part of our brand, you know. And a lot of us (actually most of us), didn’t vote for them. **So they scoff at Austin and promise to rein us in,**” he noted. “But their Austin-bashing is nothing more than a facile attempt to deflect attention away from the state’s own serious challenges and the failures in addressing those challenges,” Watson claimed. He went on to say: “**It also ignores that Austin has become an economic powerhouse precisely because we’re different.**”

“**The US Army gets it,**” Watson pointed out. “Austin is now home to the Army Futures Command because **we’ve created an environment that attracts smart, talented people who are at the forefront of innovation.** Those folks appreciate Austin’s wonderful quality of life and an open, welcoming environment that allows them to be who they are. **It’s a recipe that has clearly worked.**”

As an example of Austin-bashing, he says **the state is undermining Austin’s efforts to find solutions to housing affordability and traffic congestion.** He specifically mentions the legislature’s latest target, Austin’s paid sick leave ordinance.

Strange bedfellow? Republican Travis County Commissioner **Gerald Daugherty** also chimes in on one aspect of the state “messing” with the Austin area. He is opposed to fellow conservative Gov. **Greg Abbott’s** desired 2.5% annual cap on revenue increases.

“I am most concerned about the legislature limiting what we can do with generating the dollars that it takes us to operate county government,” Daugherty told the *Austin Monitor* this week. “**If we get some sort of an artificial cap on what it is that we can do, then that is very scary to me.**” He says the legislature does not sufficiently understand social needs and their costs at the county level.

Just because Daugherty comes down on the side of local control on this issue, don’t think he is moderating his conservative stance on other issues. Long an advocate of expanding roads such as the new 45SW toll road (that should open in a few months), and an opponent of public transit, Daugherty told the *Monitor* “**I don’t think you can get enough people out of their cars and into public transit, even if you have great public transit.**”

The circus ... uh ... Texas Legislature will generate a buncha headlines in Austin for a full 140-days until its scheduled adjournment 5.27.19, not to return to Austin until 2021. So, enjoy (?) it while you can. The rest of January will be largely ceremonial including an every-four-year event – the inauguration of the governor and lieutenant governor.

The inauguration of Gov. **Greg Abbott** and Lt. Gov. **Dan Patrick** Tuesday 1.15.19 will not be their first rodeo. After all, they already took the same oath of office in 2015. This year's oath-taking for a new 4-year term will take place, at **11 am on the North steps of the State Capitol.**

The day officially begins with a **prayer breakfast** at the nearby First Baptist Church (901 Trinity Street) at 9 am. Following the swearing-in, a **barbecue lunch** will be served at 12:30 pm on the grounds of the State Capitol.

There will be no parade up Congress Avenue as has been a traditional part of the celebratory events in the past. **But, there will be an Inaugural Ball at 8 pm in the Palmer Events Center** (900 Barton Springs Rd.).

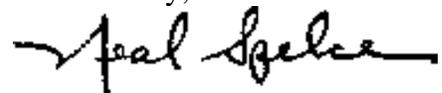
Get ready for your favorite fancy dining spots to be crowded with lobbyists with fat expense accounts hosting their new best friends, State Senators and Representatives.

One wag has suggested that a legislator who doesn't get at least one free meal a day is not a very influential official. (Those legislators can usually be found dining alone at Whataburger!)

After the Texas Longhorn's BEVO XV lunged at University of Georgia's bulldog mascot in the Sugar Bowl game this week, PETA (People for the Ethical Treatment of Animals) said all live mascots should be banned from universities. You can file this under "Suggestions that will NOT be Implemented":

Dr. Louis Overholster said the Horns stopped Georgia's vaunted running game in the Sugar Bowl by looking for the running back whose teeth were chattering from fright!

Sincerely,



Editor/Publisher