



TEXAS BUSINESS REPORT

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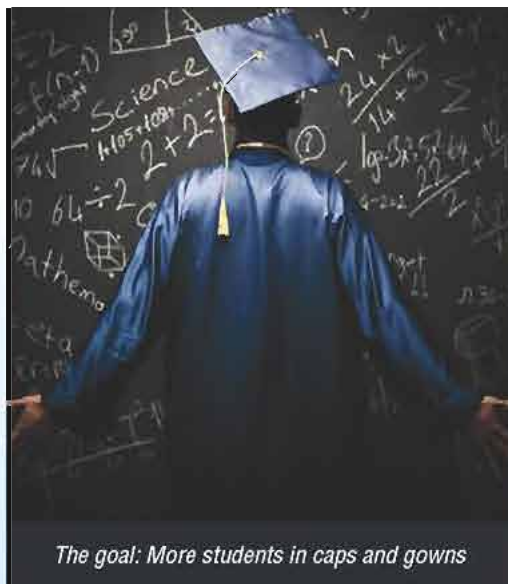
TAB's Second Annual Higher Education Conference - October 18

"Reforming Higher Education: A Prerequisite for Prosperity"

When it comes to higher education in Texas, it's all about the numbers. But the number that we should be focusing on is not the one that gets enough attention. That number is the completion rate.

So why don't we focus on the number of students graduating with a certificate or degree? Because that's not where the money is. "If a kid is sitting in the classroom on the 12th day of class, universities get funding," said Texas Association of Business President and CEO Bill Hammond. So just like public schools, state university funding is based on the number of students in class, not on the success of those students.

To illustrate the problem you only need to look at a recent "Complete College America" study. If you take 100 students, 79 will go to community college, and only two will get an associate's degree on time and only seven will graduate in four years. Of the 21 that go to four-year universities, only five graduate on time and 13 end up with a degree in eight years.



The goal: More students in caps and gowns

There needs to be a new focus on actually getting those students through the system so that they have degrees or certificates. Money would be a great motivator for that too. "We think what we need to do is begin to go to outcome-based funding, where at least part of university funding is based on their completion rates." Legislation to base 10 percent of funding on outcomes couldn't get through the last Legislative Session, but the TAB and others aren't giving up on that issue. Hammond said 10 percent

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WORKFORCE Q&A

I am concerned about the future of my portfolio and retirement accounts because of the wild swings on Wall Street. What advice would you give me about dealing with these feelings of uncertainty and anxiety?

(see page 2)

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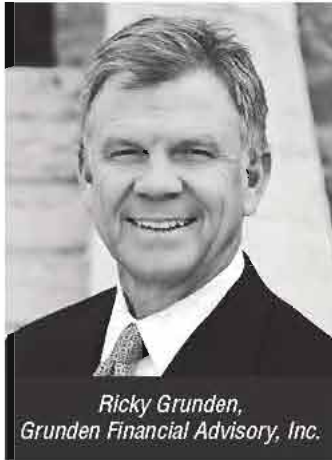
*This is your invitation to join us in Austin on October 18th for this year's Higher Education Conference. **Reforming Higher Education: A Pre-Requisite for Prosperity** will look at some of the issues mentioned in this month's "Texas Business Report," and more. The conference will once again be held at the Hilton Austin.*

Visit our website, www.txbiz.org/events to register on-line.

TAB MISSION

To make the Texas business climate the best in the world.

WORKFORCE Q&A



Ricky Grunden,
Grunden Financial Advisory, Inc.

I am concerned about the future of my portfolio and retirement accounts because of the wild swings on Wall Street. What advice would you give me about dealing with these feelings of uncertainty and anxiety?

The current volatility in financial markets is reviving unwelcome feelings among many investors—feelings of anxiety, fear, and a sense of powerlessness. These are completely natural responses. Acting on those emotions can end up doing more harm than good.

The debt strains in the US and Europe, together with renewed worries of another recession, are leading stocks to fall since their April highs. As a result, stocks

around the world, oil, and emerging markets are weakening as risk adverse investors are driven to the perceived safe havens of government bonds, gold, and Swiss francs.

It is reminiscent of the events of 2008 when the collapse of Lehman Brothers and the sub-prime mortgage crisis triggered a global market correction. This time, however, the focus of concern has turned from private-sector to public-sector balance sheets.

As to what happens next, no one knows for sure. That is the nature of risk. But here are a few points to understand the volatility and make it more bearable.

- ★ Markets are unpredictable and do not always react the way the experts predict they will. The downgrade by S&P of the US government's credit rating actually led to a strengthening in Treasury bonds.
- ★ Quitting the stock market at a time like this is like running away from a sale. While stock prices have fallen recently, that's another way of saying expected returns are higher. And while the media proclaims "investors are dumping stocks," remember someone is buying them.
- ★ Market recoveries can come just as quickly and just as violently to the upside as the prior correction. In March 2009—when market sentiment was at least this bad—the S&P 500 turned and put in seven consecutive months of gains totaling almost 80 percent.
- ★ Seek wise financial advice and write an investment plan as it relates to your own unique financial well being that anticipates variables to minimize emotional reaction to fear and greed.
- ★ Keep investment solutions simple and costs low. If you can't explain your investment strategy, it is probably benefiting someone else.

The market volatility is worrisome, no doubt. Feeling out of control is completely understandable; however, through discipline and understanding how markets work, the benefits of owning a diversified portfolio of stocks should outweigh the fear of short term ups and downs. At some point, value will re-emerge, risk appetites will re-awaken, and for those who acknowledged their emotions without acting on them, relief will replace anxiety.

Employment Relations questions?

**Don't forget to call TAB's Employment Relations Hotline
for your next HR Question
1.800.856.6721, ext. 164 or E-mail smcgee@txbiz.org**

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Texas Has A Proposition For You

Actually 10 Of Them Are On The November Ballot.

There are 10 propositions on this year's Constitutional Amendment election ballot. The Texas Association of Business Board of Directors, at its September 23rd meeting, endorsed all 10 of the propositions. Here is a quick explanation of what each amendment does.

Proposition One: Would let the legislature provide the surviving spouse of a totally disabled veteran with an exemption from property taxes for all or part of their property.

Proposition Two: Authorizes the Texas Water Development Board to issue additional bonds up to six billion dollars. Without that authority the State will not be able to meet its new water project obligations and will lose out on federal money to help pay for those projects. The TAB Board feels as though this is the most important proposition on the ballot. It is critical that the State have a way to pay for future water projects. If the water supply dries up in Texas so will the business climate. If you need a reason to go to the polls, supporting this proposition is it.

Proposition Three: Authorizes the Texas Higher Education Coordinating Board to issue bonds on a continuing basis for financing student loans.

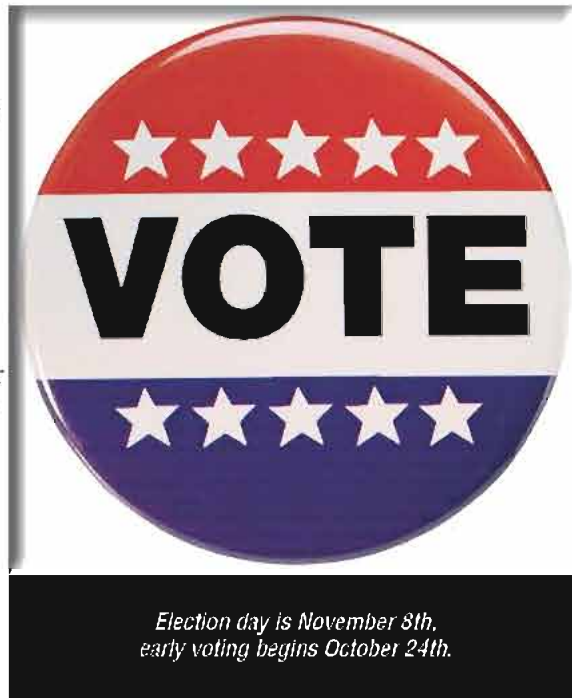
Proposition Four: Authorizes the legislature to permit a county to issue bonds to finance the development or redevelopment of blighted areas within counties.

Proposition Five: Would allow cities and counties to enter into interlocal agreements without having to set aside funds or charge more property taxes to pay for those agreements.

Proposition Six: Would mean more money for schools by increasing the amount of principal that is available for withdrawal from the permanent school fund each year.

Proposition Seven: Would only effect El Paso County and would allow the county to create conservation and reclamation districts.

Proposition Eight: Would require the Legislature to provide for taxation of open space land devoted to water stewardship purposes on the basis of its productive capacity.



Proposition Nine: Would allow the Governor to grant a pardon or reprieve to someone who has completed a term of deferred adjudication community supervision with the advice of the Board of Pardons and Paroles.

Proposition Ten: Would extend by one month the term that some local elected officials have to resign from their current office if seeking another office.

Higher Education Conference

continued from page one

should just be a start. "There's no reason why it shouldn't be half. We want the leaders of the education community in Texas to be focused on completions with quality."

Changes in scholarship programs like Texas GRANTS could also push students to get a degree in four years, rather than stretching it out. "Make the Texas GRANTS conditioned on the fact that students are taking 30 hours a year, so that they're on track to graduate in four years," Hammond said. "This will focus the money on students who are on track to graduate and allow us to serve more children."

Then, there's the question of open enrollment. Not every student needs or wants to go get a four-year college degree, but may end up at a four year school anyway. "That means we're spending a lot of money on students who eventually won't graduate," said Hammond. "If we have a finite amount of money, and we restrict the money to those who have a higher probability of success, we could actually, without increasing funding, increase the amount of money per student or decrease the cost to the taxpayer."

This change might also help the problem in high school of students not being prepared to go to college upon graduation. "Kids figure things out. If they realize they've got to improve performance to get a grant or to get into school they'll step it up," said Hammond. "If I'm a ninth grader and I know that if I want to go to UTSA and I've got to have a 3.0 average I'm going to be much more likely to do that."

Visit www.txbiz.org/events to register.

MEMBER PROFILE

Fossil Rim Wildlife Center – Driving Innovation In Species Preservation

Fossil Rim Wildlife Center near Glen Rose is a 1,700-acre wildlife conservation facility. A drive-through “living classroom” for children and adults alike, Fossil Rim hosts 250,000 guests annually to experience endangered and exotic animals in near-natural conditions.

The first of its kind to be accredited by the Association of Zoos and Aquariums, Fossil Rim is unique in that, unlike other zoos and wildlife parks of its caliber, it receives no government subsidies. Fossil Rim is a private, nonprofit organization that funds programming through memberships, fundraising, and visitor fees.

“Fossil Rim supports the community in more ways than one,” says Jim Maddy, President and CEO of the Association of Zoos and Aquariums. “Not only does Fossil Rim have a deep commitment to science education and wildlife conservation, but it also generates valuable economic benefits to the region.” Fossil Rim employs 82 people and spent \$5.1 million on goods and services in 2010.

Fossil Rim focuses on the breeding and management of critically endangered species to sustain genetically viable populations. The center also aims to increase public awareness, sponsor reintroduction programs, and conducts cutting-edge research in species propagation—dramatically advancing wildlife conservation science.

The wildlife center houses over 1,000 animals from more than 50 species, 16 of which are endangered or threatened. Fossil Rim collaborates with private and government conservation organizations at home and around the globe. It has participated in reintroduction programs for addax, scimitar horned oryx, Mexican and red wolves, and Attwater’s prairie chickens, its flagship conservation program.

The busy Fossil Rim staff provides for the animals’ daily needs, but also partners with universities and institutions to find solutions to the conservation problems associated

with captive and free-range animal management. Many of the techniques and procedures developed at Fossil Rim are replicated around the world.

Human Resources Director Laura Groome says TAB programs—particularly the Employment Relations Symposium—help make her job easier.

“I have attended the (TAB) Employment Relations Symposium for four years in a row,” Groome says. “Each year I glean a wealth of information and law updates

and meet new people to add to my HR network. The program is well put together and the speakers are at the top of their game.”

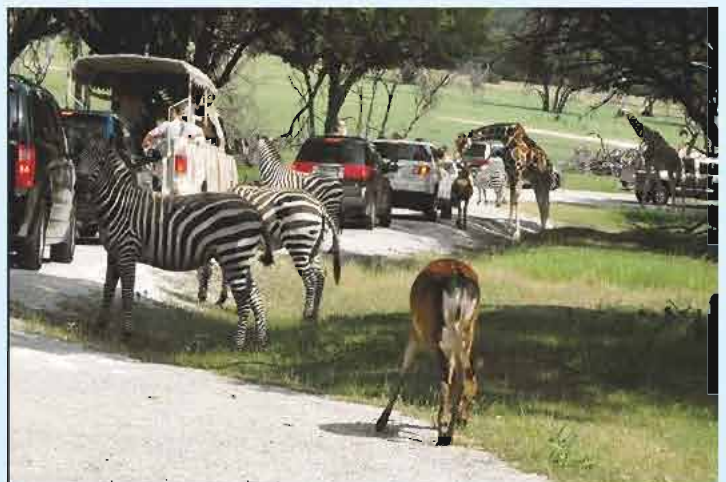
Groome adds that being a member of TAB has given her company critical insight into the tough challenges facing our state representatives, and that Fossil Rim appreciates the efforts that TAB is making on behalf of the employer in Texas.

TAB President and CEO Bill Hammond calls Fossil Rim Wildlife Center a Texas treasure. “Fossil Rim is uniquely Texan,” Hammond says. “What Fossil Rim does

for conservation, not just here but around the world, is nothing short of extraordinary. This organization demonstrates leadership in scientific research and collaboration and is exceptionally innovative, both when it comes to species management and—as a nonprofit—when it comes to keeping its doors open without government assistance.”

“The (TAB Employment Relations Symposium) program is well put together and the speakers are at the top of their game.”

*- Laura Groome,
HR Director,
Fossil Rim Wildlife Center*



Animals prosper at Fossil Rim

A New Concept to Earn a College Degree

It's far easier to get into college these days than it is to finish college. Thousands of students start but only a fraction of those who start actually end up with a certificate or degree to show for it. The reasons for that vary, from being academically unprepared for college and getting discouraged, to financial realities that mean getting a job rather than getting a degree. There's now a new option called Western Governors University Texas (WGU). It's an affordable, fully online university that is designed for working adults who want to finish a college degree in high-demand areas like business, health professions (including nursing), and information technology.

"We're grateful for the support we have from the business community, from Bill Hammond from the Texas Association of Business," said WGU President Robert Mendenhall. "WGU is unique. We're really the only university in the country offering degrees based solely on demonstrating what you know and can do, rather than accumulating credit hours."

The cost is just under \$6,000 per year, and the average time to complete

a bachelor's degree is 30 months, rather than 60 months at a traditional university.

"WGU Texas can and will do much to advance our shared goals of increasing completion rates in Texas and reducing the costs of higher education for students and their families," said Texas Association of Business President and CEO Bill Hammond. "The Texas business community applauds Gov. Perry's leadership on this issue. We see WGU Texas as a chance to open the doors to a university education to more Texans, helping to meet the growing demand for skilled workers in our country's leading job creating state."

"Across our state, we've made great strides in providing access to higher education," said Governor Rick Perry. "The future of the jobs market in Texas, however, requires that we do even more to give everyone who wants a degree a chance to earn it, that's where WGU steps in. The affordability and flexibility offered by WGU Texas provides another alternative for students.

Visit texas.wgu.edu



WGU Texas offers a new alternative to getting a college degree

QUOTES

"At a bare minimum, Texas on these overpayment issues should be closer to the national average than they are."

– Bill Hammond in *Dallas Morning News*, Texas errs more than most in jobless payouts.

"I think it's a bad idea, but basically the companies have agreed to play by their (EPA officials) rules. They didn't have much choice, they just sucked it up."

– Bill Hammond in the *Dallas Morning News*, warning of job losses from EPA action fell flat.

Statement of Ownership, Management, and Circulation of the Texas Business Report as Required by the United States Postal Service.

The Texas Business Report, publication number 7761, is a monthly publication of the Texas Association of Business, with 12 issues published annually. The cost of annual subscriptions is \$2 of TAB member dues. The annually-required publication paperwork was filed with the USPS on September 12, 2011.

The Texas Association of Business is headquartered at 1209 Nueces Street, Austin, TX 78701, where the Texas Business Report is also published and edited. Texas Association of Business and Bill Hammond hold ownership of the Texas Business Report. Editor of the publication is Robert Wood, TAB Communications Director, who also serves as the publication contact person at 512-637-7709. There is no Managing Editor for the publication. There are no known bondholders, mortgagees, and other security holders owning or holding one percent or more of total amount of bonds, mortgages, or other securities for the Texas Business Report.

With regards to tax status, the purpose, function, and nonprofit status of this organization and the exempt status for federal income tax purposes has not changed during preceding 12 months.

Statement of Ownership of the Texas Business Report, as a general publication, is required to be published and is included in the October issue. The Statement was signed by Robert Wood and dated 09-12-11, certifying that all information furnished on the form is true and complete and with the understanding that anyone who furnishes false or misleading information on the form or who omits material or information requested on the form may be subject to criminal sanctions (including fines and imprisonment) and/or civil sanctions (including civil penalties).

	Average number of copies since October 2010	Number of copies for September 2011 issue
Total Number of Copies	4500	4500
*Mailed Outside-County Paid Subscriptions	3282	3628
*Mailed In-County Paid Subscriptions	281	326
*Paid Distribution Outside the Mails Including Sales Through Dealers and Carriers, Street Vendors, Counter Sales, and Other Paid Distribution Outside USPS	0	0
*Paid Distribution by Other Classes of Mail Through the USPS	0	0
Total Paid Distribution	3563	3954
**Free or Nominal Rate Outside-County Copies	137	150
**Free or Nominal Rate Copies Mailed at Other Classes Through the USPS	0	0
**Free or Nominal Rate Distribution Outside the Mail	0	0
Total Free or Nominal Rate Distribution	137	150
Total Distribution	3700	4104
Copies not Distributed	0	0
Total	3700	4104
Percent Paid	96.30%	96.35%



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Talk About Business



Bill Hammond, TAB President

Seven Dangerous Distractions

Some call them the “seven breakthrough solutions” to transform college education to new heights, while others deride them as the “seven deadly sins” certain to damn our higher education system to mediocrity. I’m more inclined to describe the whole debate as a dangerous distraction. Much of what we’re hearing about Texas’ higher education system is nothing more than some very passionate noise — a distraction from our core focus and the present battle, that we must wage and win.

I surely am not the only one who sees reforming higher education as not about being left or right; conservative or liberal; public or private.

If we are serious about higher education reform, state lawmakers, our colleges and universities and the business community must work together and lead, not bury ourselves in lofty rhetorical arguments or burden our education system with misguided micromanagement. We must drive the right kinds of reform that put more Texas students on the path to higher education, to earning a meaningful degree and ultimately to contributing to the future prosperity of our state as qualified members of the Texas workforce.

Texas repeatedly earns the top spot among cities and state rankings for its business climate and job creation. Therefore, if we do not immediately address the funding and structural reforms necessary to improve our graduation rates, reduce our dependence on developmental education and graduate more Texans with advanced degrees or certificates, we will surely falter.

By 2018, the Business Roundtable estimates that 63 percent of new or replacement jobs in the United States will require at least some college education, while 45 percent will require at least a bachelor’s degree.

Now look at Texas and you can start to appreciate my concern. Today, just over 30 percent of Texans aged 25-34 hold an associate’s degree or higher.

The volume of the debate over the value of research, teaching and tenure is rising to a crescendo. State lawmakers formed a committee to defend our universities against these real or perceived threats to higher education.

In this brouhaha of academia versus the marketplace, we must do a better job representing the very people that matter most here: the taxpayers who fund public universities, the students who attend them and the job creators.

Our focus as business leaders is singular, and we’re resolute in our intensity and dedication to the cause: It’s all about completions. An increase of just one percent in graduation rates for associate’s or bachelor’s degrees would produce a cumulative increase in national income of \$291 billion by the year 2030, according to the Springboard Project. If only about half of Texas students that enroll in a university today will eventually graduate, we cannot expect to stay competitive in business and job creation.

That’s why during this past session, TAB and our members led efforts to advance meaningful reform aimed at one goal: increasing completions. Our “Prerequisite for Continued Prosperity” Report and conference laid the groundwork for what would become the most substantial and, frankly, most meaningful reforms we saw in higher education this past session.

The next step is now. TAB’s Second Annual Conference, “Reforming Higher Education: A Prerequisite for Prosperity” is happening October 18 in Austin. We invite you to be a part of the solution to ensure that Texas has the best workforce in the world. To register, visit www.txbiz.org/events.