

THE

*Paul Spelce*

# AUSTIN LETTER

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Volume 22, Number 14

July 7, 2000

Dear Client:

**In a move that could have an immense impact on Austin's trade and professional association community, Congressional Republicans have won Ways and Means Committee approval of a bill that requires 501(c) tax-exempt organizations to disclose donor lists if the organization spends more than \$10,000 on "political activities."** This measure goes much further than the recently enacted disclosure requirements for Section 527 "stealth" PACS, authored by Senator **John McCain** and Austin Congressman **Lloyd Doggett**.

"Voters have a right to know what groups are running ads or writing letters, and who is paying for them," said US Representative **Bill Archer** (R-Houston) in a *New York Times* report. The bill would affect a broad range of tax-exempt organizations, from labor unions to trade associations, whose donor lists are currently protected from public disclosure.

Just last year the Texas Supreme Court nixed mandatory disclosure of non-profit, tax-exempt organization membership lists, holding that they are protected under the First Amendment's right of free association. A group of trial lawyers tried to get the donor list of a Corpus Christi business group that advocated lawsuit reform.

Dozens of Austin-based trade and professional associations, including organizations as politically diverse as the Texas Taxpayers and Research Association, Texas Civil Justice League, and Public Citizen, filed amicus briefs in support of the position ultimately vindicated by the high court.

The legislation could have tough going in Congress. As leading Democrat Rep. **Richard Gephardt** (D-St. Louis) warns, "By covering educational activities clearly beyond electioneering activities, the bill would trigger **very intrusive donor disclosure** for all advocacy groups, including those not inherently political."

While it's unclear whose donors the GOP supporters of the legislation want to see, they will find some of their closest political allies might be vociferously opposed to disclosing their own membership ranks. For example, can you imagine the Christian Coalition happily revealing its members to the world? The National Federation of Independent Business?

On the other side of the political spectrum, how do you think the Sierra Club or Public Citizen will feel about it? Austin's Save Our Springs Alliance? This effort cuts both ways.

**An analysis of 4<sup>th</sup> quarter 1999 numbers reflects the startling growth and economic vitality of Travis and surrounding counties.** For instance, gross sales in that period were \$9.6 billion in Travis County – a 15.1% increase. Hays County reported a 6.6% increase in gross sales, but the palm goes to Williamson County, which witnessed a staggering 44% increase in gross sales.

The pattern is the same for all five counties of the Austin-San Marcos MSA, which saw an overall increase in gross sales of 6.3% versus a statewide average of 1.3%. **Austin-San Marcos led the way among other major population centers**, outpacing Dallas (5.5% increase), Houston (5.4% decrease), Fort Worth (1.2% decrease) and San Antonio (7.7% decrease). Smaller MSAs posted the largest gains, with Tyler seeing a 72.9% increase in gross sales, followed by Galveston-Texas City (50%) and Texarkana (27.3%).

With respect to retail trade, virtually all areas of the state saw increases, with Austin-San Marcos coming in at a hot 17% increase on more than \$5.1 billion of gross retail sales. This topped San Antonio's 5.2% increase, Houston's 5% jump, and Dallas's 3.5% boost, and trailed only Tyler (23.4%) and Wichita Falls (18%). The statewide average growth in retail gross sales was a healthy 5.3%, with gross sales topping the \$64.5 billion mark for the first time.

**And this strong trend is continuing.** As we recently reported, June sales tax rebates to Texas cities, counties, and metropolitan transit authorities continue to rise — indicating ongoing economic growth and a healthy budget scenario for state and local governments.

**The Comptroller's Electronic Taxation Advisory Group (E-TAG) is set to vote on eleven legislative proposals.** Group members will be asked to cast ballots on the following items: A sales tax exemption for purchases of machinery and equipment used to provide telecommunications services and Internet access. A sales tax exemption for purchases of machinery and equipment used to provide advanced digital technology (broadband services).

Also: no new industry-specific or discriminatory taxes or fees on telecommunications providers or services. Eliminate all industry-specific or discriminatory taxes or fees imposed on telecommunications providers. Create economic development incentives to encourage build out of telecommunications infrastructure statewide. Simplify the administration of certain taxes imposed on telecommunications providers.

And: study the system of state and local taxes and fees on telecommunications providers and services to develop specific simplification options. A total sales tax exemption for Internet access charges. A total sales tax exemption for Internet-related services, including data processing, information services, and creating and storing web pages. A sales tax exemption for tangible personal property with tax-exempt digital counterparts. The same property that can be delivered digitally and in tangible form should be taxed the same. We'll keep you posted on the E-TAG deliberations and which proposals make it into actual legislative recommendations.

**Austin will grow faster – 63% between 1999 and 2025 – than any other metropolitan area in the nation with more than 1 million residents in 1999**, according to *Demographics Daily*.

**The collapse of the Houston Astros in the inaugural year of the baseball team's new venue, the gorgeous Enron Field, demonstrates one pitfall of asking taxpayers to finance sports stadiums.** But the Astros' abysmal record aside, why do Texas taxpayers seem willing to spend hundreds of millions to benefit wealthy pro sports franchises?

For example, according to the Comptroller, the Houston-Harris County Sports Authority is spending \$180 million (out of a total cost of \$265 million) in hotel and rental car taxes to help pay for Enron Field, and another \$195 million (out of \$367 million) to build a new football stadium (Harris County Domed Stadium) for Houston's new NFL franchise. Only the Houston Rockets have been left out in the cold by Bayou City voters, but they could well change their minds and build a new basketball arena, too.

New private-public financed arenas in Dallas (the American Airlines Center, where the Mavericks and Stars will line up) and San Antonio (the new Bexar County arena for the Spurs) are scheduled to open in 2001 and 2002 respectively. Dallas is splitting the \$325 million cost of the American Airlines Center 50-50 between private and public sources, and 83% of the cost of the Bexar County project will be borne by taxpayers.

Some believe sports teams are an **economic development must**, creating jobs, income, and tax revenue that more than offsets the cost of the facilities. Others believe that sports franchises bring **no net economic gain**; they only divert entertainment dollars that would already be spent in the community.

But while economists differ on the economic impact of sports franchises, let's bring the issue closer to home. Can anyone argue that the Round Rock Express has not had a **substantial positive impact on Williamson and surrounding counties**?

While (unlike its parent club down the road in Houston) the Express is a winning team, is there any doubt that Round Rock fans would turn out in droves anyway? If you haven't been to the Dell Diamond yourself, you're in for a delightful experience -- even if you're not a baseball nut.

What any given Express game accomplishes is more than can be measured in economic terms. **It creates a shared experience of community that is hard to come by in our supercharged, high-speed, and increasingly isolated everyday life.** While we have more communication tools than we can ever possibly use, we seem to have less and less time to talk to one another. If you think we're wrong, take your family to Dell Diamond.

**Vice President Al Gore could be in more trouble than his plummeting poll numbers may indicate.** As you undoubtedly saw in the daily media, a highly respected bipartisan poll puts Governor George W. Bush's lead over Vice President Al Gore at 52-40%. The Voter.com-Battleground poll shows Bush has increased his lead by six points since May. Similarly, an NBC-Wall Street Journal Poll has Governor Bush ahead 49-41%.

While the poll is old news, its impact on the Gore campaign is not. Gore is certainly not out of the race, but he has to stay close enough to Bush in the weeks prior to the August Democratic National Convention to benefit from the usual convention bump. Keep in mind Governor Bush, who successfully weathered the **Gary Graham** execution, will likely get a positive ride out of the GOP Convention as well.

If Gore can't make up some ground in the interim, **a strong convention performance might not do him enough good.** Moreover, Gore wasted any opportunity to cut into Governor Bush during the Graham controversy, and instead, faced renewed questions about his role in questionable Democratic fund-raising activities in 1996.

Even worse for Gore, recent images of Lakers' fans rioting in the streets outside the Staples Center — the site of Gore's coronation — provokes distant memories of Chicago in 1968. While the context of this year's Democratic convention is entirely different than that of the Vietnam era, there is one striking similarity: in LA, as it was in Chicago, eight years of Democratic control of the White House could be at an end.

Times are better now than they were then, but there is still a **palpable restiveness in and around the Gore campaign.** Unless the Vice President can come up with a compelling reason why he should be president (something **Hubert Humphrey** could not do) and articulate it to the country in LA, he may find himself a lot more than 12 points down come Labor Day.

**Dr. Louis Overholster** tells of the time he rushed to the aid of an accident victim only to be pushed aside by a guy who said "Step back! I've had First Aid and I know CPR!" Dr. Overholster watched a moment, then said "When you get to the part about 'somebody call a doctor,' I'm already here."

NEAL SPELCE AUSTIN LETTER (ISSN 1071-0612) is published weekly, except last two weeks of the year, for \$150 (plus tax) per year or \$249 (plus tax) for two years. To subscribe, call 512-498-9495. Periodical Postage Paid at Austin, TX 78767 by Austin Letter, Inc., 1407 Wild Cat Hollow, Austin, TX 78746. POSTMASTER: Send address changes to: Neal Spelce Austin Letter, P.O. Box 1905, Austin, TX 78767-1905.

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