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Dear Client:

**Practically the only big-time legalized gambling you could find in the US years ago was in Las Vegas. Not any more. Gambling is now as pervasive as Starbucks stores – and spreading just as rapidly. No wonder Texas state officials are casting covetous eyes on gambling revenue.**

If you step back and think about what's happened around our country in the last few decades, you will find various forms of legalized gambling bursting on the scene like cedar pollen in the winter in Austin. We're not making a moralistic judgment. But it is a **major cultural change in our country** – and elected officials are leading the way as they scramble for revenue.

Even though the Texas Legislature is not in session right now, when they do come back to Austin, the odds are you will find, once again, a proposal to legalize slot machines. As we've told you in previous newsletters this year, it would be a **huge tax revenue boost** for the state.

Just how widespread is legalized gambling in one form or the other? **Utah and Hawaii are the only states without some form of state-sanctioned gambling.** This is a dramatic change in just a few short years.

Right now, according to our friends at *The Kiplinger Letter*, **nearly half of the states have proposals pending to expand gaming operations.** They say they need the revenue for education, business development, social welfare, etc. – programs recently slashed when state budgets were tightened as a result of the economic downturn. This is the same argument being used in Texas.

The trend nationwide — installing slot machines at racetracks and other venues that already have gaming — is what Texas is following. But there are other examples. Oklahoma (tired of seeing its residents cross the Red River to buy lottery tickets) and North Carolina are close to joining the **40 states that have lotteries.** Nebraska is about to become the 12<sup>th</sup> state to host gambling casinos.

There have been some state officials who have resisted the siren call of gambling dollars. Lawmakers in Maryland rejected slots and Indiana turned down betting parlors at racetracks. But gaming tax revenue is hard to resist. To underscore our original point about the growth and pervasiveness of gambling being so attractive to state officials, **all you need to know is that taxes on gaming total \$31 billion a year.** That's up \$6.5 billion just since 1999.

**Texas state leaders may be quibbling about raising revenue, but it's nothing compared to what's happening in New York, the state that's trying to steal Austin's high tech industry.**

Texas governor **Rick Perry** says he is poised to call legislators back to Austin in special session – probably in August – if legislative leaders, who are meeting regularly, can agree on the nuts and bolts of a school finance/revenue increase (spelled t-a-x) plan. There is no crisis at the moment, but all seem to agree “something must be done” about public school finance.

Compare this to New York, which only recently had a boatload of money set aside to entice high tech industry to Albany and environs. (They chipped away at SEMATECH, but Texas – under the strong leadership of Austin Attorney **Pike Powers** – rallied state officials to keep the damage to a minimum.) **New York's leaders have failed to enact the budget that was due 4/1/04 and resolved virtually none of the major issues facing them this year**, according to *The New York Times*. And, now, the NY legislature has adjourned for the summer.

“Consider the review that the session has gotten: ‘**Abysmal**,’ ‘**The most partisan ever**’ and ‘**Among the worst I’ve ever seen.**’ These complaints did not come from the usual civic groups and government critics, but from the three men who actually run the state: Gov. **George E. Pataki**, Assemblyman **Sheldon Silver** and Senator **Joseph L. Bruno**, in that order,” reported the *NYTimes*.

“New York's institutional and political divisions have long resulted in governmental gridlock in Albany. The Legislature, which faces pressure to deliver for local districts, often finds itself institutionally at odds with the governor,” the *NYTimes* observed. “Added to that, **the two houses are permanently politically divided**: carefully gerrymandered districts have left the State Senate in Republican hands for decades and the State Assembly controlled by Democrats. On top of it all, **the three men who control state government do not seem to like or trust each other very much.**”

Silver, the Assembly Speaker, and Gov. Pataki “have grown increasingly distrustful of each other and this year the disdain with which they hold each other has been on vivid display,” the *NYTimes* reports. “Aides to Mr. Pataki and Mr. Silver, protected by the cloak of anonymity, **do not hesitate to call the other guy a liar.**” You get the picture. Politics and personality are clashing in New York and the state government is suffering.

Texas is no bed of roses when it comes to political and personality conflicts. The three GOP leaders (Gov. **Perry**, Lt. Gov. **David Dewhurst** and Speaker **Tom Craddick**) continue to have disagreements – but nothing like NY. And this is the key. **It's the old rule of competition. You may not have the perfect product. But if your product is better than the competition's, you will usually prevail.** In the economic development competition for new jobs and new industry, Texas and Austin can take advantage of the disarray in NY.

**The anticipated May surge in air travel at Austin-Bergstrom International Airport did not take place – cooling a bit the airport rebound that would've sent a strong economic signal.**

You'll recall we told you last month the April tally of passenger travel may have been a breakaway month as "the April totals inched ever closer to where they were during the record-setting years." Well, the **May 2004 totals dropped further back in the pack** from the top years of 2000 and 2001—even though the current May numbers did show a bit of an increase over April. In the go-go years, the May over April increase was dramatic. We'll continue to watch this for you.

In other airport news, high techers will have an **easier commute to the Raleigh-Durham area this fall when American Airlines kicks off twice daily non-stoppers 10/1/04** to the Research Triangle. It also gives Austin travelers another option to connect to Washington, DC.

The catch: **the segments will be flown on 50-seat RegionalJet Aircraft (RJ-145)**, instead of the larger aircraft with a first-class seat configuration. The flight schedules are good. Leave Austin at 7:30 am and 2:15 pm, arriving at 11:15 am and 6 pm respectively. Return flights leave Raleigh-Durham at 11:25 am and 6:15 pm, arriving Austin at 1:45 pm and 8:35 pm respectively.

By the way, **ABIA is the first airport in the nation to offer the latest advancement in wireless computer service**, which is up to five times faster than a standard Wi-Fi network. Additionally, the upgrade makes live TV and fast downloads of content such as *BusinessWeek* and *The New York Times* available.

To access the Wi-Fi 802.11b/g network, airport visitors simply turn on their computer, launch their Web browser and are **automatically directed to the Wayport connection screen**. From there, they select a connection option and can then view the free content offers.

**All this is made possible by a local Austin company, Wayport, the world's largest provider of high-speed Wi-Fi wireless and wired Internet access for business travelers.** Wayport and Intel worked together to install the new higher-speed network at the airport and to offer free content via the service during a trial period. The content includes digital downloads of *USAToday* and a new streaming live television service from OnAir Entertainment.

**Speaking of expanded service, Quizno's Sub, the fastest-growing sandwich chain in the US, is searching the Central Texas area for a minimum of 15 new locations.** According to its exclusive commercial real estate rep, NAI Commercial Industrial Properties, Quizno's already has 24 locations, another 4 under construction and 10 franchises sold, but not yet open.

**So you want to get the very best deal on a mortgage when you buy a new home. How do you go about it? Well, get a law degree. That should do it.**

Most folks carefully watch the rising interest rate reports, check their credit scores, tally how much money they need for a down payment, etc. You don't need to do that sort of mundane muddling — if you're a lawyer. The headline on an ad in a local magazine circulated to lawyers, *Austin Lawyer*, screams **"100% Financing For Attorneys."** That's not all.

"Why rent when you can afford to own?" the full-page back-cover ad continues. "Our 100% financing program is designed to meet the needs of attorneys for purchase of their primary residence." **The ad was placed by Compass Bank.**

If you're an attorney, you can get a mortgage loan at Compass Bank with zero down payment – up to \$650,000. PMI insurance is not required, which means you can **"save thousands over the life of the loan,"** according to the ad. This offer applies to single family homes, townhomes, lofts and condominiums as well. Also, Compass will not count Deferred Student Loans in qualifying ratios when they make a loan to a lawyer. And if you already own a home, Compass says **"refinances to 95% of value are also available" to lawyers.**

It will be oh-so-easy, if you're an attorney, to go through the loan process, promises Compass: "Our mortgage professionals will **go out of their way to meet the demands of your busy schedule and make buying your next home effortless.**"

This is not a slam on Compass or attorneys. **It's to point out the aggressive marketing** of low mortgage interest rates going on these days. Attorneys, as a class, are high wage earners and have decent credit histories. They're a good target market – and Compass knows it.

**Dr. Louis Overholster** says it's incredible what's happening at airport security checkpoints these days: "I mean, when have you ever had so many people asking you to take off your clothes without buying you dinner first?"

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