

THE

*Real Spelce*

# AUSTIN LETTER

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Dear Client:

**It's all about Electoral College votes when you elect a US president. One of the little known facts that resulted when the 10-year census triggered redistricting was it also reconfigured electoral votes. This could make a difference this go-around.**

Four years ago, President **George W. Bush** won the squeaker election with 271 electoral votes he received by winning 30 states. **It takes 270 electoral votes to win. Al Gore**, who won the popular vote, carried 20 states (plus the District of Columbia) with 267 electoral votes. Remember, if you only carry a state by a single vote, you get *all* the electoral votes allocated to that state.

The electoral vote total stays the same year after year, just like the total number of members of Congress. When states gain population, they gain electoral votes as well as members of Congress, while those states losing population lose electoral votes and members of Congress. **If this reapportionment had been in place in 2000, Bush would have had 278 votes to Gore's 260.** Bush's Electoral College margin of victory would have been greater with the same 2000 popular vote.

So what does this mean for this year's contest between Bush and Senator **John Kerry**? Well, first of all using the reallocated electoral votes, an Associated Press state-by-state analysis shows Bush can probably count 25 states as "safe" — **for 217 electoral votes**. The AP says Kerry has 14 states and Washington DC he can count as "safe" — **for 193 electoral votes**. Very, very close.

This of course leaves the battleground states and some of those are swinging to one candidate or the other. For instance, Kerry has cut back his campaign spending in Missouri, once thought to be winnable for the Dems. After choosing North Carolina Senator **John Edwards** as his running mate, the Kerry campaign thinks it may swing that state away from the GOP.

But the real key to this election are the battleground states with the most electoral votes. **Keep your eye on Pennsylvania, Michigan, Florida and Ohio. These four states are now considered statistical tossups.** This is where both campaigns will be laser-beam focusing. Gore won Pennsylvania and Michigan in 2000 while Bush carried Florida and Ohio. And two or three of these states could put Bush or Kerry in the Electoral College win column, based upon the AP analysis of where things stand today.

**Unless you're a political junkie, you've really lucked out this presidential political season. A record \$1.6 billion will be spent on political ads in about 20 states. Talk about using a fire hose to fill a jigger!**

This huge ad spending will not only be a record – but will beat the previous record by miles. **And to compound the massiveness of this advertising barrage, it will be concentrated in just a few states**, as we pointed out in the previous item. Pity the poor average voter in those states – especially Pennsylvania, Michigan, Florida and Ohio.

The ads will be flying at them from both sides. The Dems, who traditionally moan about not being able to match the Reps when it comes to raising and spending political cash, are **actually out spending the Republicans so far**. But don't cry for the GOP. Their war chest is big enough, and getting bigger, so it will be a close contest to see who will spend the most by Election Day, 11/2/04.

**Texas, which is considered safe for its favorite son George W. Bush, will be spared this advertising blitz.** You'll only see ads running on network and cable programming that cover the nation. Of course, we're talking here about *paid* advertising. Everyone will be inundated with news coverage of the campaigns as we get close to E-Day – which is still three months away.

**Just because the regional governing body, CAMPO, voted to make toll roads an integral part of the Austin area transportation plan, don't think the debate will stop. There's another toll road vote looming within the next few months.**

Longtime Austin governmental watchers will tell you that most of the time when a public body holds a vote, there will likely be loud, and sometimes rancorous, debate. Look for this to surface soon. Right now, the anti-toll road groups are focusing on trying to **recall some of the elected officials who voted for toll roads. This is not likely to go anywhere**, because: 1) the petition process to recall an official sets a pretty high bar for success, and 2) the next CAMPO vote will more than likely take their attention away from the recall talk.

So, what are the prospects for the toll road plan being overturned? First of all, you have to realize the **makeup of CAMPO will not change** before the next vote. The same folks who voted for-and-against tolling will be in the same seats on the next vote. This means votes must be changed to come up with a different result.

**Right now the odds favor a re-affirmation of the toll road implementation vote.** Those who are complaining the loudest, and making noises about recall, are more likely solidifying the original votes – rather than pressuring them to change. But a lot can happen in the meantime, especially with the debate about commuter rail heating up. This bears close watching.

**There was a time recently when Austin's cost-of-living was escalating at a fast pace, triggering substantial rises in home values. The increases have leveled off just as interest rates have begun to creep upward. So, where do we go from here?**

As always, economic fluctuations offer a mixed bag of results. What's sauce for the goose can be jalapenos for the gander – to mangle a metaphor. For instance, earlier this year home prices in the Austin area declined so much Austin ranked dead last in the nation in house price appreciation (see our 7/16/04 edition). **This hurt home sellers, but helped home buyers.**

And to trot out another figure of speech (that is still appropriate), everything's relative. Sure, the median home price in the Silicon Hills of Austin has hovered around \$160,000 for awhile now but, hey, you could be living in **Silicon Valley where the median price last month was more than \$500,000.**

**This variation in values is a critical equation in the creation of jobs.** The lower the cost of living the more likely a company will expand its operations here – or select the Austin area as a place to do business, creating jobs. It's certainly not the only factor. Remember our past reports on the growing use of governmental incentives to lure job-creating companies to a given area. But it is important.

Speaking of homes, what can we expect? As the unemployment percentage decreases (more people working) and the population increases (more wage earners arriving in the area), the demand for homes is expected to continue. **But what about interest rates?** Won't they have an impact as they rise?

Of course, there will be an interest rate impact. But it shouldn't be dramatic, especially in a dynamic Austin area economy that is kicking into gear. The reason: interest rates will move sloooowwwllllly upward. The most solid estimate we've seen indicates the **initial rate on one-year adjustable rate mortgages will rise from 4% now to about 4.75% by year-end and 5.5% by the end of 2005.**

Thirty-year fixed rate mortgages have been rising for most of this year, but they are up only one-half a percentage point over the past year. Again, the most solid estimate we've seen on this product indicates the **30-year fixed mortgage will increase from 6.1% to 6.5% by the end of this year.** It could get to 7% by the end of 2005. And the rates could dip a bit within these parameters.

If this scenario holds, you can see that interest rates, while rising, will not significantly alter the lending landscape. Face it, we've been spoiled by low mortgage rates for some time now. Not too long ago, if we had told you we could see interest rates like those in the two paragraphs above, you would've dashed right out to take advantage of them. The biggest hurdle is more psychological than anything. **You can anticipate a strong Austin area housing market as the economy continues to strengthen.** And house values should soon start slowly increasing.

**In June and July 2000, more travelers went through Austin's airport than ever before – or since. Shortly thereafter, the economic downturn kicked in and the tragic events of 9/11/01 clobbered air travel here and elsewhere. We now have some good news.**

Passenger travel is an important economic indicator because it tracks business activity as well as leisure travel (telling you folks have a reasonable amount of disposable income). During the heyday of Austin air travel, around 700,000 passengers trooped through Austin-Bergstrom International Airport (ABIA) during each month of June and July 2000. **We've been way below those numbers for four long years.**

The double-whammy of economic downturn and commercial airplanes used as terrorist's weapons dealt staggering blows to the airline industry and airport operations. Both are still in a recovering mode. **But ABIA, in June 2004, notched passenger travel numbers that came within shouting distance of the record months of 2000.** And the trend lines are very positive.

Total passenger traffic for June was 677,291. This not only **moved the trend line close to the record**, but it finally separated the tally by a substantial margin from the recovery years of 2002 and 2003. Just the previous month, May 2004, the passenger total was the same as 2002.

One month's totals do not make a trend. But the increase in June – up 10.57% — was so substantial it holds out hope **Austin air travel may kick back quickly now to solid levels.** The tally for July 2004 will be one to watch. If it, too, gets close to the July 2000 record, then we may be able to call it a solid recovery. This won't mean, however, the numbers will not start down again in August and September. **They probably will drop — due to the anticipated seasonal travel fall-off.** But, for now, let's enjoy some good signs and keep one eye cast warily toward July.

**Dr. Louis Overholster**, being careful not to complain about heightened airport security, did say that on his last trip his travel agent presented him with a combination airline ticket and search warrant.

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