

THE

*Real Politics*

# AUSTIN LETTER

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Dear Client:

**The Massachusetts USSenate election stunner Tuesday could significantly increase the national stature and influence for two Texas officeholders – even though their names were not openly identified with the upset GOP win.**

In the past, the chairs of the National Republican *Senatorial* Committee (NRSC) and the National Republican *Congressional* Committee (NRCC) have used the posts as **stepping-stones to greater national power**. These two committees are heavily involved in key USHouse and USSenate races all around the nation.

With the positive Democratic political wave surrounding **Barack Obama's** election a year ago, the two GOP posts were not all that attractive. But Texas GOP USSenator **John Cornyn** and Texas GOP Congressman **Pete Sessions** convinced their colleagues to name them to the posts.

An immediate beneficiary of the strong race run by **Scott Brown** to alter the political power in the USSenate is Cornyn, whose NRSC funneled money, talent and organization support to Brown. For instance, working quietly and under the radar, **Cornyn's NRSC sent \$500,000 to Massachusetts for phone and mail get-out-the-vote operations targeted at independent voters.**

Cornyn is heavily involved in other contested USSenate races. In fact, part of his job is to **recruit GOP candidates to run and then to support them in their respective races. The NRSC also supports incumbent Senators seeking re-election.** With what is generally considered a political tide now turning in favor of the GOP after Obama's big win and the Dem's control of the USSenate and USHouse just a year ago, Cornyn's job may be getting easier.

And, where the GOP candidates are successful, **Cornyn will get a lot of the credit and, importantly, build up a huge reservoir of political capital. The same will hold true for Sessions** and his work with Congressional races around the country. The Democrats have similar committees, but for two Texans to control both GOP committees is quite rare.

Obviously, a lot can happen between now and the defining elections this November. But as the national races unfold, keep your eye on the role of these campaign committees. **If the Republicans succeed, so will the political fortunes of Texans Cornyn and Sessions.**

**Can you guess the *total* annual compensation paid to everyone in the 5-county Austin metro? Or, do you know the *average* compensation per job in the Austin metro area?**

Unfortunately the most current data – just released – is a year old. But it gives a picture of the amount of money that flows through our economy each year. The US Bureau of Economic Analysis (BEA) reports that the **total compensation for all Austin area employees in 2008 was – hang on – more than \$46 billion.** That’s a huge chunk of change that circulated throughout Travis, Hays, Williamson, Bastrop and Caldwell counties.

**Importantly, it represented an increase of 4.1% from the 2007 total. The year’s inflation rate was 3.3%**, as measured by the national price index for personal consumption expenditures. How does this compare to the nation as a whole? The total compensation for all US workers rose by 2.3% (less than inflation). **In fact, just 10 of the largest US 50 metros saw increases that met or beat inflation.** So the pay of Austin area workers, as a whole, not only kept ahead of inflation, but also was among the best in the US in that regard.

However, the Austin Chamber’s VP/Research, **Beverly Kerr**, pointed out that Austin’s gains are driven by increasing employment, rather than the increase in average compensation per job, which was only 1.9% above 2007. She noted that while Austin ranked 3<sup>rd</sup> in the nation for increase in *total* compensation, it comes in at 36<sup>th</sup> for increase in *average* compensation per job.

Well, what about those individual salaries in the 50 largest metros? Average compensation per job in 2008 ranged from \$49,114 in San Antonio to \$96,510 in San Jose. **The Austin metro average was \$56,517, beating the national average by less than 1% and ranking 31<sup>st</sup> among the large metros.**

By the way, the average compensation numbers include wages and salaries, and the balance is employer contributions for employee pension and insurance funds, and employer contributions for government social insurance. In other words, these BEA numbers reflect the **true expenditures per employee – not just the base salary that is the focus of most workers.**

Kerr, in her analysis of the BEA report, pointed out **almost 20% (19.8%) of total compensation in Austin is the government sector.** She said among private industries, “manufacturing is Austin’s largest on the basis of total compensation, accounting for 12.7% here, compared to 11.7% nationally.” She also noted that “professional, scientific and technical services is the next largest with 11.5%, compared to 8.6% nationally.”

**Looking backward a bit, Kerr noted that total compensation in Austin grew by nearly 37% over the past five years.** And she pointed out that construction has been one of the fastest growing over the longer term, 54% in fact. But, and this reflects the slowdown in the past couple of years, construction compensation shrunk by 1.1% last year.

## **Speaking of compensation, the flak over UT Austin football coach Mack Brown's \$5 million salary has lessened. So what did UT Austin do to tamp down the fireworks?**

A low-key, business-based argument from UT Austin President **Bill Powers** went a long way toward toning down the rhetoric. The University extended Brown's \$5 million dollar annual compensation into the future after, according to contract, his salary had moved from \$3 million in 2007 to \$4 million in 2008 and to \$5 million in 2009. So, why extend his salary *now*?

"The 2007 agreement was coming to an end. If we did nothing, Coach Brown's compensation would revert back to the 2007 level and would no longer be competitive in the marketplace. And while Mack and Sally are happy here and not going anywhere, **major institutions and organizations continue to heavily court them. Mack is the best coach in the country, not just because of winning more victories in his 12 years than any program in the country, but also because he represents UT with integrity, class and compliance,**" said Powers.

But Powers also said the main reason to act now was a *business* decision. When Brown came to UT the program was in disarray. It hadn't recovered from an uneven transition from Coach **Darrell Royal** to a new era. The stadium was not sold out. **Athletics could not be sustained by athletics revenue alone, so it had to receive a subsidy from the academic budget.**

"In Mack's 12 years, he has changed all of that, going from \$21 million to \$87.5 million in football revenue, more than a four-fold increase. **This allows athletics – men's and women's sports – to be totally self-funding and self-sufficient,**" Powers pointed out. "In an era of budget cuts in higher education across the country, I am one of the very few presidents who does not have to bail out athletics with subsidies and loans." Brown's compensation comes from athletics revenues, not from state funding or tuition.

Powers hit the naysayers with more business-based points: "**Athletics also contributes more than \$12 million to the UT economy** in the form of service payments, such as for parking, administrative services, and interest on fund balances." And he said athletics made **direct payments of \$6.6 million to support academic programs** in the last three years, with more on the way.

"Coach Brown is a critical component in this business model, which has been very successful," Powers added. "**It is important from a purely business perspective that we protect this asset.** We simply cannot afford another experience like our break in continuity between Coach Royal and Coach Brown."

Powers' "clincher": "**All this is to protect our academic budget in these difficult economic times, not at its expense.** Just ask any other major university president if he or she would trade places with me or our athletics business model."

**Better check regularly, if air travel is on your agenda. Changes, changes and more changes – some below the radar – will affect your experience.**

Austin-Bergstrom International Airport is, when you get right down to it, a comparatively easy airport to navigate. Close-in parking, airline gates not far from where you pass through security, concessions featuring local eateries, live music at certain hours – you get the picture. But, some **current changes for the air traveler** could take you out of your comfort zone.

Of course, the heightened security requirements following the Christmas Day Underwear Bomber incident have slowed the screening process somewhat at all airports. **And, before long, you may encounter full body scans.** About 300 more scanners – at a cost of about \$150,000 each – will be added this year to the 40 in use at 19 airports around the country. (What was that your mom said about wearing clean underclothing???).

Other factors will affect your pocketbook. For instance, **American Airlines will raise checked luggage fees in a couple of weeks to match what other airlines charge** (though AA elite AAdvantage members, full-fare fliers and first or business class travelers are exempt from the AA luggage fees). JetBlue (charge for 1 bag only) and Southwest (no luggage charges) differ from the others.

Not only that, **some airlines are slapping fees on the busiest travel days** – such as \$50 extra for flights in Florida the day after the Super Bowl in Miami. And, of course, certain destinations are more expensive. As an example, with all the “action” in Washington DC these days, hotel rates are out of sight.

Bottom line: **careful planning and patience** are the watchwords for air travel these days.

Speaking of air travel and possible contagious diseases, **Dr. Louis Overholster** is concerned a fast-spreading “elbow epidemic” may break out. It would consist of elbow malfunctions caused by people constantly sneezing or coughing into their elbow pits!

Sincerely



Editor/Publisher