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Dear Client:

Much has been made of how the Republican primary race for Governor of Texas focused heavily on *Washington* issues. As it now stands, that same focus could move all the way down the ballot to your neighborhood state representative's contest.

You had to be paying real close attention to the GOP primary race between Governor **Rick Perry** and USSenator **Kay Bailey Hutchison** to hear discussion of *state* issues such as public and higher education, prisons, state taxes, water, border issues, transportation, etc. The most noise was generated when Perry (successfully) tagged his fellow Republican, Hutchison, with all the real and perceived problems of Democrat-controlled Washington.

With Perry's decisive primary victory, the pundits started speculating that Perry may be soon seeking a national post. But there is more to it than that easy explanation. It has to do with **whether the Democrats or the Republicans will get a lock on control in Washington for the next decade**. This is why the *state* races for governor and lieutenant governor and *local* races for state senator and state representative become of paramount importance to the two parties.

It all comes down to re-drawing US Congressional districts in 2011. Governors, lieutenant governors, Speakers of state houses, state senators and state representatives will re-draw those boundaries and **the party that has state control will try to draw the districts to favor their party, to remain in effect until 2021. Each party has a history of playing hardball with re-districting.**

You want examples? Democrats had a 17-13 majority of the Texas Congressional delegation in 2000, but the **state offices and the legislature were GOP-controlled in 2001**. After re-districting, **the new tally was 20-12, with Republicans the majority**. On the flip side, in Georgia, control switched from the GOP to the Dems. It's even more important in Texas this year. Due to Texas's fast population growth, it is likely **Texas will add four new Congressional seats**.

Both the Democratic and Republican national parties have fund-raising and organizational efforts in place as we speak. **Both plan to pour money and effort into governor, lieutenant governor and local legislative district races this November**. And, if the current political climate continues, you can expect that even the race for your neighborhood state representative could focus on Washington, as well as state, issues. How will that work? See the next item.

For years, the observation that “all politics is local” has pretty much held sway. Now, certain local elections may turn that observation upside down.

Skeptics may think it will be difficult, if not impossible, for a candidate for state representative in Travis or any Central Texas county to **claim that the voter can have an impact on Washington by voting for that local candidate in a very small legislative district.** It will be hard to make a case that one member of a 150-member Texas House of Representatives will vote on Washington issues during a session in Austin.

Not so fast. Given the current environment, Republicans seem to think that what is going on in Washington is a political plus for them. Governor **Rick Perry** used this to bludgeon a fellow Republican. Seeing as how his November opponent is a democrat, he will probably step up the anti-Washington rhetoric even more. So how does a GOP candidate for state representative go about this? Here’s a possible scenario that may not be all that far-fetched. The GOP candidate says:

“Since Texas will get four new seats in Congress, I will vote to make sure **Congressional boundaries are drawn to reflect the fact that Texas has voted Republican** in recent years. My opponent will likely vote for a plan to protect Democrats. **The first vote that every Democratic member of the US Congress casts in a new term is for Speaker of the House.** If my opponent is elected, he/she will work so that more Texas votes will be cast for Nancy Pelosi for Speaker. **A vote for my opponent is a vote for Nancy Pelosi!**”

This argument is somewhat of a stretch, but you get the point. **With redistricting Topic A in the Texas Legislature, it becomes a hook to tie a vote for state representative to Washington issues.** Obviously there are other ways to make the link, but this little example shows how a local GOP candidate, fueled with national GOP money, will be enticed to follow Perry’s lead in bashing Washington and indicating that, **because of once-every-ten-years redistricting, the local GOP state representative candidate can “make a difference” on the Washington scene.** Quite a departure from years past, when all politics was local.

With Texas facing a state budget shortfall next biennium, some legislators would be forgiven if they are having second thoughts about participating in a re-districting session in January that will also be marked with some difficult budget decisions.

The House Appropriations Committee this week heard from the Legislative Budget Board that the budget legislators will wrangle next year could be hampered by a **shortfall ranging anywhere from \$11 billion to \$15 billion.** And various state agencies have recently submitted budget reduction plans that total only \$1.7 billion. Also, if the entire Rainy Day Fund is tapped (which it probably will not be), the numbers at this stage still don’t level out. Could be dicey.

Just as a rising tide lifts all ships, rising numbers of Austin air travelers lifts all airlines. Right? Well, not quite.

Not since June 2008 has the percentage increase of Austin air travelers year-over-year reached 6% as it did in January 2010. Passenger totals at ABIA in January were not only higher than in 2009, but they also eclipsed the actual numbers achieved in 2006 and 2007. However, they are still quite a bit below 2008. **So, while the progress is good, “normalcy” has not yet been attained** – especially when you consider the population growth in the Austin area since 2008.

The major airlines, though, can point to increasing passengers. The #1 carrier at ABIA year after year, **Southwest Airlines**, registered a 5.5% increase in January 2010, compared to 2009. #2 **American Airlines** was up 1%, #3 **Continental Airlines** up 2.5%, #4 **Delta Air Lines**, up an impressive 64.5%, and #5 **United Airlines**, up 12%. More than 80% of all ABIA passengers fly these five airlines. The other carriers — **JetBlue Airways**, **US Airways** and **Frontier Airlines** — totals were *down* in January compared to 2009. (**Alaska Airlines** was not operating in Austin a year ago.)

At least the major carriers at Austin-Bergstrom International Airport (ABIA) began 2010 with some upbeat news. And numbers should be bolstered this month as March is usually one of Austin’s most heavily traveled months due to Spring Break, SXSW and the Austin Rodeo.

Speaking of travel, an Austin-based vacation company has been honored with a #3 ranking in the nation in a list of the Top 50 venture capital-backed firms with the greatest potential.

The requirements were tough to pick the 50 US venture-backed companies. VentureSource, a unit of News Corp., owners of the *Wall Street Journal*, started with a list of companies that had **raised an equity round of financing in the past three years and were valued at less than \$1 billion** (knocking biggies Facebook and Twitter off the list).

VentureSource analyzed the **remaining 5,194 companies** according to four criteria: 1) track records of the company’s **founders and management**, 2) the **investors** on its board, 3) the amount of **capital raised** in the past three years, and 4) the percentage **change in the company’s valuation** in the 12 months prior to November 30, 2009. Journalists with the *Journal* and Dow Jones Newswires also weighed in.

Austin’s **HomeAway** was #3 on the list and one of only 12 consumer goods and service companies to make the Top 50. **HomeAway is a fast-growing online service that offers vacation-property rentals. It posted 2009 revenue of \$120 million. This is up 40% from a year earlier. Brian Sharples** is the CEO of HomeAway, that raised \$265.5 million in equity. The announcement was made this week in the 3/9/10 edition in *The Wall Street Journal*.

A quick turnaround this week by Austin's mayor (in the midst of mounting opposition) means an urban rail proposal will *not* be on the ballot this November.

Even though Mayor **Lee Leffingwell** campaigned for putting the issue on the ballot in November, he said this week that **“it has become clear to me over the past few weeks that critical questions about the City's urban rail proposal – questions that voters need and deserve to have the answers to – will in fact remain unanswered until after November.”** (Click on the Archives button at the top of the page to review the harsh criticisms in the article that ran February 26th, 2010 in Volume 31, Number 46.).

The issues that won't have answers by November, according to the mayor, include the exact rail route across Lady Bird Lake, **uncertain construction cost estimates**, the entity to operate the urban rail system, as well as a **plan to minimize the impact of rail construction on Austin commuters and local business owners.**

Another important voice supporting the delay: Mayor Pro Tem **Mike Martinez** is also the new chair of Capital Metro's board. He said **“I believe this delay will also allow Capital Metro to demonstrate the utility of rail transit in Austin”** with the Leander-Downtown Red Line commuter rail that starts 3/22/10.

Leffingwell said **“my hope and expectation is that the City will be ready to proceed with an election before the end of 2011.”** But he said the determining factor for such a vote should be “the completeness of the proposal, not an imposed deadline.” He added “this is one of the critical lessons of the Red Line.”

This doesn't mean there won't be a high-dollar bond proposal on the November ballot. Leffingwell and Martinez agree that a \$100 million bond referendum, focusing on roads, sidewalk, bike lanes and trails, should be presented to voters this fall.

Looking at Capitol Metro's experience with the much-delayed Red Line that exceeded estimated costs, **Dr. Louis Overholster** opined: “Experience is the name everyone gives to their mistakes!”

Sincerely



Editor/Publisher