

THE

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AUSTIN LETTER

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Dear Client:

In recent presidential nominating primaries, Texas voters have generally been at the back of the pack, with candidates focusing most of their effort away from Texas in about a dozen swing states. This could change this time around.

The primaries, run by each political party to select the final party nominee, start in January and run until one candidate has garnered enough support to secure his/her party's nomination. **The primaries will be quiet for the Democrats because no Democrat has emerged to challenge the president.** So don't expect much Democratic primary election action in Texas.

It's a totally different story for the Republicans. With no candidate emerging at this stage as a runaway favorite **Texas should be one of the top primary prizes for any candidate who is seeking the GOP nomination.** Republican candidates will campaign frequently in Texas and spend the big bucks on advertising.

But there's a tricky situation facing Texas Republicans and the GOP-controlled Texas Legislature may have to take action on the issue. Currently the D's and R's have their primary election date set for the **first Tuesday in March 2012.** That early in the national primary election season should be a good thing for the Republicans because it gives them a good shot at having a major say as to who will get the GOP nomination.

But. The Republican National Committee changed its rules and **the change will penalize states that hold their primary election before April 2012** and do not apportion their delegates in direct proportion to the popular vote (remember the top vote-getter in the Texas GOP primary now gets *all* of the convention delegate votes, no matter the percentage of the victor's margin.)

The penalty for holding the primary in March: **Texas could lose half its delegate strength at the Republican national convention, where the nominee is officially selected.** This becomes especially important if there is no clear-cut nominee prior to the GOP convention in Tampa August 27th 2012.

So there is an effort afoot in the Texas Legislature to **move the primary election date in Texas to the first Tuesday in April 2012.** And, if this effort is successful, it will also change the date for the Democratic Party primary in 2012. Stay tuned.

Looking ahead, the tax-paying playing field may be leveled a bit for Austin and Texas residents compared to other states.

With all the talk of tax reform that should take place in Washington DC in 2012, a lot of changes are likely to occur. One tax deduction enjoyed in other states may be abolished, but it won't mean Texas taxpayers' federal income taxes will be affected.

Currently in states where state and city income taxes are levied, taxpayers are able to deduct those state/local payments from their federal income tax.

This provision was saved by a last-minute compromise in 1986, but our friends at *The Kiplinger Letter* predict it will again be vulnerable next year.

If this deduction is removed as part of a federal tax reform package, it could have another effect in Texas. Those advocating levying a Texas personal income tax have argued that the impact will be lessened because the tax payments to Texas can be deducted from your federal income tax. **That argument will go away and may make it even more difficult for a state income tax to be levied in Texas in the future.**

Looking backward, who would've thought "back in the day" grocery stores and hospitals would become among the largest private sector employers in Austin. Well, it's happened.

And it's happened because of the growth of what used to be small hospitals and neighborhood grocery stores. Take Seton and St. David's Hospitals. Both have expanded greatly to the point where the *Austin Business Journal* (ABJ) notes **"the Seton Family of Hospitals reported a total of 11,601 people on staff" and that St. David's Healthcare had a staff of about 7,100.** This also indicates the growth of healthcare as an employment field.

When you talk about grocery store growth, the gorilla in the room is H-E-B, the chain that started in Corpus Christi in the middle of the previous century. Now, just in the Austin area, **H-E-B counts "10,968 people, including staff in company-owned Central Market stores,"** reported ABJ.

Speaking of growth, Austin Executive Airport officially opened for business last week.

As we have previously reported, **Ron Henrikson**, who operates an executive airport in Houston, bought the old rundown 134-acre Bird's Nest Airport in Manor, an adjacent 49-acre tract and 375 acres to lengthen the runway, more than three years ago. After spending about \$30 million, Henrikson can now boast of a **26,000 sq.ft. corporate hanger, alongside a 6,000 ft. runway.** And corporate aircraft owners can boast of a spiffy, close-in location.

States today fiercely compete for the big business of moving image productions by offering financial incentives to producers. But do the incentives make sense for Texas, where film making, television and video production have a history of success?

“For better or worse, **state economic development incentive programs are a fact of life in the industry**, a necessary if not sufficient factor when attracting film, TV, commercials and video game producers to a region or state,” noted **James Jarrett** and **Bruce Kellison** with UTAustin’s Bureau of Business Research and IC² Institute. Jarrett and Kellison performed an **economic impact analysis in late 2010 and early 2011** for the Texas Association of Business. The study focused on the productions’ impact on the economy, including jobs.

The researchers found that, even with modifications as recent as 2009, the **Texas incentive program still was less industry-friendly** than most other state film programs. The Texas program requirements were **more restrictive**, processing of reimbursements had **more oversight**, and incentive reimbursement rates were **less generous** than the rates of programs in other states.

Okay, but was the economic impact in Austin and around the state when Texas offered these less-than-competitive incentives? Through 12/31/2010, “we found that the \$58.1 million spent or encumbered by the Texas Moving Image Incentive Program has produced **total economic impact in the state of \$1.1 billion and more than 10,000 full-time jobs**,” noted Jarrett and Kellison.

What about *this* year? “When the entire \$80 million is spent in 2011, the total impact will have been **\$1.4 billion and almost 13,000 jobs directly attributed to the incentives**,” the researchers reported.

Jarrett and Kellison went on to note that “The Texas Moving Image Industry Incentive Program is conservatively structured. **Other states not only are much more generous than Texas** in terms of their legislative appropriations (some have unlimited appropriations) and their incentive rates, but **they pay for out-of-state actors and production crews**.”

In Texas, however, the “key criteria stipulate that production spending occurs in Texas, including **wages paid to Texas-based talent, crews and vendors**. After production is completed, the production **submits payroll receipts** and other proof of spending to the Texas Film Commission, which then **audits the receipts** and releases the approved incentive amount to the production,” they reported.

Calling the Texas results to date “**remarkable**,” because the program is “relatively young,” the UTAustin researchers went on to report “the **economic development potential** of the film, television, animation, commercial and video game industry segments is **quite exceptional** if given time to mature and build upon recent industry growth enabled by the incentive program.” There have been many great Texas films. See the next item.

Texas Monthly and the Alamo Drafthouse have teamed to screen “The Ten Greatest Texas Films Ever” in June. But the “greatest western movie ever made” failed to make the cut.

The “Ten Greatest Texas Films Ever” is a **great promotion idea** – screen all ten films in **appropriate locations around Texas** from June 3rd to July 1st. The list of ten: *The Searchers* ... *The Texas Chainsaw Massacre* ... *Blood Simple* ... *Hud* ... *Red River* ... *Bonnie and Clyde* ... *Tender Mercies* ... *No Country for Old Men* ... *Giant* ... and *The Last Picture Show*.

The two westerns -- *The Searchers* and *Red River*, both starring **John Wayne** -- are great movies. **But their Texas ties are a stretch.** *Searchers* was inspired by **Cynthia Anne Parker**’s kidnapping by Comanches in a raid on Fort Parker in 1836. And *Red River* shot some scenes at Fort Worth’s stockyard exchange.

The big, really big, omission from the list of “The Ten Greatest Texas Films Ever” is *Lonesome Dove*. Talk about a major Texas film. It was adapted from a Pulitzer Prize best-seller book about two aging Texas Rangers written by Texan **Larry McMurtry**. Austinite **Bill Wittliff** wrote the award-winning screenplay. Its star, **Tommy Lee Jones**, is a Texan through and through. Most of the film was shot around Austin and elsewhere in Texas.

It garnered unanimous critical acclaim worldwide. Tens of millions have seen this film. Great? A Contributing Editor for *Texas Monthly*, **Stephen Harrigan** in 2007, called *Lonesome Dove* “**the greatest western movie ever made.**” Period.

So why didn’t it make “Ten Greatest Texas Films Ever?” Because this 1989 film was a **TV miniseries that was about eight hours long** and didn’t fit into the tidy promotion of showing a film one night in one Texas location. *Texas Monthly* should have titled its promotion “**The Ten Greatest Motion Picture Theater Movies Where You Can Buy Overpriced Popcorn Ever.**”

Dr. Louis Overholster wonders why the leading man in a movie will show no pain while taking a most ferocious beating, but will wince when a woman tries to clean his wounds!

Sincerely



Editor/Publisher