

Volume 22, Number 11

June 16, 2000

Dear Client:

**There are some serious political controversies brewing in state government that, in any other year, would be fair game for Governor George W. Bush's political opponents.**

For example, the **Texas Department of Economic Development (TDED)**, created at the behest of former **Governor Bill Clements** back in the late 1980s, is on the brink of legislative dismemberment. Since its creation, the agency has suffered chronic management problems, revolving door personnel problems (e.g., 10 executive directors in 12 years), allegations of favoritism and political cronyism, and repeated charges of noncompliance with the Open Meetings Act and competitive bid laws.

Consequently, the Sunset Advisory Commission -- the state agency that oversees other state agencies and recommends whether they should be continued or abolished -- is now considering how to divide up TDED's programs, which include job training and tourism promotion, and giving them to other state agencies. A majority of the TDED board is made up of Bush appointees, and the executive director, **Jeff Moseley**, is a former Denton County Judge and Bush ally. While it is true that many of the agency's problems arose during prior administrations, critics claim that since Governor Bush's appointees took control of the board, nothing has changed — it's time for the agency to go.

Another agency in trouble is the **Texas Department of Housing and Community Affairs (TDHCA)**. TDHCA has been a problem for Governor Bush since the get-go: one Bush-era executive director has already resigned under a cloud, and Bush appointee **Florita Bell Griffith** is currently under federal investigation. To make matters worse, Griffith recently appeared at a Sunset Advisory Commission meeting and accused some state legislators of pressuring the agency to give agency contracts to their political supporters. According to witnesses who attended the meeting, she also claimed that her own private investigators have discovered evidence of hetero- and homosexual affairs between unnamed legislators and lobbyists.

Confronted with these kinds of problems, most governors would be ducking for cover. The fact that Governor Bush doesn't have to is a tribute to his six years of bipartisan leadership in Texas. Like him or not (and most Texans do), he has always played fair with everyone in the process. So, whatever problems may occur in his administration they are generally not attributed personally to him. So, at this stage, it appears the Governor is dodging a political bullet. **TDED and TDHCA may go the way of the dodo, but they won't take Bush with them.**

**Once thought to be too expensive and inefficient to compete with traditional ground and surface water options, desalination may soon become a significant, long-term solution for Texas' water needs.**

The Texas Water Development Board (TWDB) is currently studying proposed desalination projects in Florida and Trinidad/Tobago as models for a similar project on the Texas coast. The Florida project, undertaken by Tampa Bay Water and a development team headed by the engineering firm Stone & Webster, is designed to produce 25 million gallons per day of potable water at an average 30-year cost of \$2.08 per 1,000 gallons. **That cost is two to three times lower** than similar desalination plants in the Middle East and is competitive with other water sources. The Trinidad and Tobago plant will have a slightly larger capacity and an average cost per 1,000 gallons of \$2.67.

The Tampa Bay project is scheduled to be up and running by the end of 2002, assuming no unforeseen regulatory or construction delays. One environmental impact study of the plant's effect on Tampa Bay showed **no significant impact on water quality or marine life**, but additional review and permitting remains to be done. Moreover, the proposed plant is co-located with an existing power plant, which will result in substantial capital cost savings to the project. The desalination plant will share intake and outfall canals with the power plant, utilize the power plant's existing trash gates and screens, and use the power plant's warmer discharge water in the desalination process, increasing the productivity of its membranes. In fact, the estimated savings of co-location range from 39 cents to \$1.59 per 1,000 gallons of water, more than enough to make a competitive difference.

TWDP planners are excited about the potential applicability of the Tampa Bay project to Texas. They are looking at prospective **desalination sites along the Texas coast**, particularly locations where existing industrial or utility facilities offer co-location cost savings. They are also paying close attention to the possible effects of withdrawing water from Texas bays and estuaries on the environment as well as on commercial and recreational fishing. According to its draft report on the Tampa Bay project, TWDP expects extensive environmental review "due to a lack of precedence in permitting in the United States a desalination facility of the size and configuration of the Tampa Bay project."

**Waco economist Ray Perryman is bullish on the long-term economic outlook for Austin and Central Texas.** In his 25-year economic forecast, Perryman projects that the Austin-San Marcos MSA will see annual growth in real gross product (RGP) of 4.33%, making it the **fastest growing metro area in the state**. This incredible growth rate will boost real personal income at an annual clip of 4.17%. All other primary economic indicators are also expected to run hot: employment growth is projected to increase 2.41% per year; retail sales will expand 7.17% annually (less inflation); and total population will grow about 2.2% per year to about 1.98 million in 2025. For a look at how Austin compares with the other major metro areas in Texas, take a look at the next item.

**Other Lone Star State metro areas will experience a prosperous pattern of growth similar to that of the Austin metro area.** According to Ray Perryman's estimates, Dallas will see annual increases in its real gross product of 3.96% with personal income growth of 4.06%; Fort Worth-Arlington will follow closely with annual RGP growth of 3.71% and rising personal income at 3.82% per year; El Paso will enjoy an annual 2.87% RGP growth rate with personal income increases of 2.6% every year; Houston checks in with a 3.59% annual RGP growth rate and annual personal income boosts of 3.68%; and San Antonio, aided particularly by increasing NAFTA activity, is likely to see 3.59% annual growth in gross product and 3.74% yearly increases in real personal income.

Like Austin, each Texas MSA will see significant increases in retail sales, employment and population growth, although Austin's rates of growth are slightly higher across-the-board. Statewide, Texas can expect annual growth in its gross state product of 3.58%, in real personal income of 3.57%, and in retail sales of 6.34%. **Overall, the state will add an incredible 16.6 million jobs in the next quarter century.**

**We all know the Internet is posing challenges to a variety of traditional businesses, but how might it affect lawyers?** With some lawyers already grumbling about legislation passed in 1999 to allow online legal forms and documents for the lay person (bypassing the lawyer's office), new dot.coms are popping up to take Internet law practice even further. **MyClaim.com** and **SelfSettle.com** peddle online services to assist injured people in pursuing insurance claims. Both companies claim they can save contingency fees that can eat up 40% of a claim settlement by guiding consumers in the research and preparation of professional settlement demand packages.

Both companies show the Internet browser how to obtain past jury verdicts in cases similar to theirs. They also gather police and medical reports, query consumers about missed workdays and hospital visits, and other key claims information. The end-product is a tidy package that includes a settlement demand letter, accident and wage information, and expense details. In addition, SelfSettle.com offers a map of the accident location, photographs of the crash scene, and a detailed listing of expenses, such as lost wages. **One, two, ready-to-sue.**

The companies' fees are similarly structured. MyClaim.com clients can either pay a one-time fee of \$250 or an initial fee of \$25. If the case subsequently settles, MyClaim.com then gets another \$450. SelfSettle.com customers pay a larger one-time \$999 fee at sign-up or \$1,499 if the case settles.

It will be interesting to see how insurance carriers treat these online settlement demand services. Will they automatically reject them, hoping the claimant won't go to a real trial lawyer, or will they see a chance to avoid the cost and expense of the litigation process? Either way, **it's no wonder that trial lawyers are seeing red** — the dot.coms are right in the middle of their breadbasket.

**More political musing: we've speculated on what a 2002 Democratic slate might look like, but what about the GOP? It's a confusing picture, but here are some possibilities.**

Obviously, a lot depends on Governor Bush's success in November. If Bush wins and Lieutenant Governor **Rick Perry** moves up, Perry would likely run for re-election as Governor, with the battle occurring over the Lieutenant Governor's seat. Presumably, if a Republican senator ascended to the seat on Perry's elevation, he or she might run statewide to keep it. Other GOPers who may be looking at the Lite Guv race include Comptroller **Carole Rylander** and Land Commissioner **David Dewhurst**.

This scenario could leave Attorney General **John Cornyn** and Agriculture Commissioner **Susan Combs** in re-election mode. Railroad Commissioner **Tony Garza** is also a bit of a wildcard. If Bush wins, Garza could well go to Washington, but he may also entertain further statewide elective ambitions. Supreme Court Justice **Greg Abbott** is likewise said to be interested in another statewide office.

If Rylander and Dewhurst give up their posts, it could leave openings for them. Also, former State Senator **Jerry Patterson**, who unsuccessfully challenged Dewhurst in the 1998 GOP primary, has indicated he will try again if Dewhurst attempts to move up.

If Bush loses, the picture would be vastly different. US Senator **Kay Bailey Hutchison** is widely believed to be interested in running for Governor and might do so if the Governor's seat is open. In this event, Perry would likely stay put, effectively blocking any upward movement from below. Simply put, there could be a **lot more Republicans seeking higher offices than offices to fill in 2002**. Everything hinges on what voters do in November.

**Dr. Louis Overholster's** stock broker is as blunt with the doctor as the doctor is with him when he's on the examining table. This week, Dr. Overholster asked his broker if "my ship has come in." The broker replied: "No, but the wreckage has been sighted!"

NEAL SPELCE AUSTIN LETTER (ISSN 1071-0612) is published weekly, except last two weeks of the year, for \$150 (plus tax) per year or \$249 (plus tax) for two years. To subscribe, call 512-498-9495. Periodical Postage Paid at Austin, TX 78767 by Austin Letter, Inc., 1407 Wild Cat Hollow, Austin, TX 78746. POSTMASTER: Send address changes to: Neal Spelce Austin Letter, P.O. Box 1905, Austin, TX 78767-1905.

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