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AUSTIN LETTER

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Dear Client:

Even though there will no longer be a Texan in the White House in two months, the relative strength and influence of the state will grow as Texas continues to grow.

While its political power may wane a bit in the immediate future, Texas' *economic* muscle will insure its role as a power player on the national scene for a long time. Because Texas is economically stronger than most other states, it will continue to grow. **This growth increases its strength. And the extension of this strength will increase its political clout.**

Let's look ahead just a couple of years. It's sneaking up on most people, but the US is already gearing up a massive effort to undertake the every-ten-year task of counting its citizens. **The USCensus, based upon population figures in 2010, will have a tremendous impact during the decade following 2010.**

The population growth of Texas could result in an allocation of as many as four additional Congressional districts in the Lone Star State. And just like the relative advantage Texas enjoys economically now, this *addition* of Congressional districts in the Texas could also result in the *loss* of Congressional seats in competitor states such as California, New York, Ohio, Michigan and Pennsylvania, thereby diminishing the clout of those big states. This is really important.

Remember, the number of seats in Congress remains constant. They are simply re-distributed among the 50 states every ten years, based on population. **So whenever one state gains a seat, another state must lose one.** (High growth states, such as Florida and Arizona, may gain two seats.)

And while the presidential race is still fresh in your mind, need we remind you each state gets a number of Electors equal to its number of members of the USHouse (plus one for each of its two USSenators). **After redistricting, the number of electoral votes to elect a president will remain at 270** (a majority of 538 Electors). But, the relative power of the states will change.

Texas, if it gets four new seats in Congress, should increase its clout in the Electoral College from 34 to 38. High growth Florida (27) could go to 29. But other states, like California (55), New York (31), Ohio (20), Michigan (17), Pennsylvania (21) etc. could see their strength in the Electoral College diminished.

Speaking of power in the halls of Congress, two Texans are assuming powerful positions in their political party in the USSenate and USHouse.

The Democrats will have comfortable margins in both houses of Congress for the next two years, but **two Texas GOP stalwarts** are taking advantage of the shakeup in the Republican Party to move into positions of intraparty leadership.

USSenator **John Cornyn**, who handily won re-election to a six-year term, is the new Chair of the National Republican Senatorial Committee. This is the committee that is charged with helping fellow GOP-ers in their races for the USSenate. **It wields a lot of influence (and stacks of cash) within the party.** Cornyn made a lot of friends when he donated \$2.5 million from his campaign to *other* Senate candidates in the recent election, as he funded his own election.

Across the rotunda, in the USHouse, Congressman **Pete Sessions** takes over the chairmanship of the National Republican Congressional Committee – the same job on the House side as Cornyn has on the Senate side. Sessions also made friends when he **doled out \$517,500 from his personal political account to 85 Republican candidates** this time around and raised as much as \$15 million for another GOP campaign kitty.

As the old saying goes, **if money is the mother's milk of politics, then Cornyn and Sessions are going to become Big Mammamas in the GOP hierarchy.** And you can bet Sessions will use his new clout in the redistricting process referenced in the previous item. After all, what better way to ensure the election of someone than to carve out a legislative district that is “friendly” to either the candidate or the party or both.

On the subject of finances, Austin's State Senator Kirk Watson says the state's budget, “which is always the legislature's biggest task ... will be a particularly large challenge next year.”

Wait a minute, Senator. Isn't Texas going into the next session with a multi-billion dollar bank balance? “A couple of *major disasters* have hit Texas in the last few months – we'll call them ‘**Hurricane Ike**’ and ‘**Hurricane Lehman Brothers**,’” says Watson.

“There's no way that the recent hurricane and ongoing financial crisis won't present a **whole new set of challenges to budget writers** this session,” he said. “And that is on top of difficulties we knew we were going to have with the new business tax, also known as the Margins Tax.”

The Margins Tax was created in 2006 ostensibly to **bring down property taxes.** But it hasn't provided the amount that was predicted. Watson calls it the “Hurricane Margins Tax.”

While on the topics of things political, how are the races for statewide Texas offices shaping up for 2010? After all, wannabe serious contenders need to be laying the groundwork now.

All major statewide offices are now held by Republicans. But Democrats are heady with recent inroads made in the state's two largest metros – Houston and Dallas. And they feel they can depend upon the always reliably-Democratic Austin and El Paso areas. As a result, **Dems are casting longing glances at nailing down some statewide offices.** But any analysis must begin with the GOP as they have had a stranglehold on statewide positions for many years.

Political dominos begin to fall when an incumbent in a high statewide office decides not to seek re-election. This should be the case in this next election cycle as USSenator **Kay Bailey Hutchison** is widely believed to do what she has considered for some time – step down from the Washington DC job to run for governor.

Right now, this means Hutchison would run in the GOP primary against a man who has served as governor longer than anyone else, **Rick Perry**. Perry has said publicly he will seek another term, but some believe he may be taking that position so he will not be considered a lame duck during this next legislative session.

If the top-of-the-ballot USSenate seat has no incumbent, this is when the dominos start falling. The scuttlebutt now is that wealthy Lt.Gov. **David Dewhurst** will immediately run for the USSenate, as will former State Comptroller **John Sharp**, who is no stranger to statewide races. Neither Republican Dewhurst nor Democrat Sharp is likely to attract strong opponents in their respective primaries, though several wannabes will probably make noises around running. So the odds are that Dewhurst and Sharp will slug it out in the November 2010 general election.

Republican Attorney General **Greg Abbott**, who has been stockpiling money in a campaign fund, is likely to run for Lieutenant Governor. No Democrat's name has yet surfaced publicly for the Lite Gov's post, though almost every State Senator probably covets that job. The open AG's seat is also likely to attract a crowd of both Dems and GOPers. (Remember Austin State Senator **Kirk Watson** has run unsuccessfully for the AG's job in the past.)

The statewide open seats may stop at this point. Right now, it looks as if Comptroller **Susan Combs**, Land Commissioner **Jerry Patterson** and Agriculture Commissioner **Todd Staples** are likely to stay put and seek re-election.

A possible candidate for governor on the Democratic ticket is Houston mayor **Bill White**. But some speculate he is on President-elect **Barack Obama**'s short list of candidates to be Secretary of Energy. (White was Deputy Secretary of Energy under President **Bill Clinton**.) All these names being bandied about now could change. But if those being mentioned are serious candidates, they should soon be making serious moves.

More air service involving both the East and West coasts may soon be available to Austin air travelers based on two announcements this week.

We forecasted earlier this year that Southwest Airlines – a company that historically has moved aggressively to increase market share during difficult times – would be making more bold moves. Well, it is happening. **Austin air travelers will have more options for low-cost air travel to New York City as a result of this week's announcement by Southwest.**

It's not a done deal yet, but Southwest (the airline that carries more Austin air travelers than any other, by far) is bidding to **acquire ATA Airlines' rights to 14 slots at NYC's close-in LaGuardia Airport. This would allow the Dallas-based low-cost carrier to conduct seven daily round-trip flights to/from New York.**

However, there is no word yet if Austin would be in line for a non-stop to NYC's LAG. **Southwest submitted a bid for \$7.5 million** with the US Bankruptcy Court in Indianapolis that is overseeing ATA's plan for reorganization.

Also this week, Delta enlarged its relationship with Alaska Airlines to **expand its international service through the West Coast.** Combined, Delta and Alaska offer connections to more than 70 cities from **Seattle**, more than 50 from **Los Angeles**, more than 30 from **Portland** and nearly 20 from **San Francisco.**

You'll recall Delta recently acquired another carrier that serviced Austin, Northwest Airlines. Northwest will soon start a **Seattle to Beijing route.**

All this activity, if carried through to fruition, means there will be **more options for the Austin air traveler and more competition** – which should serve to keep air fares competitive.

Dr. Louis Overholster tells his patients they may have a substance abuse problem if they called in sick to work three times – in one morning!

Sincerely



Editor/Publisher