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Dear Client:

**Even though many complain about fees and charges levied by Austin area banks, the banks themselves are subject to some serious charges that are not obvious to their customers.**

You've heard the mantra: "Deposits insured by the Federal Deposit Insurance Corporation." **The FDIC is the organization that ensures your deposits are safe in a banking institution.** For years, the maximum amount of your account that was insured was \$100,000. That number was upped to \$250,000 as the financial crisis started unfolding in the US.

If your friendly local bank fails, the shareholders lose everything but the customers are protected by the FDIC. The obvious question: **where does the FDIC get the money to bail out depositors at failed banks? From the healthy banks.**

The FDIC levies assessments on its member banks. The money goes into a pool. The pool is tapped to take care of the customers of banks that go under. There have been more **than 80 bank failures in the US since the first of the year.** Only a few of those were in Texas, but **all surviving Texas banks are being asked to pony up more money to replenish the fund.**

How big is the problem? A year ago, the FDIC had about \$45 billion in its coffers. The latest balance we've seen reported in the fund is a little more than \$10 billion. And **banks are failing around the US almost weekly.**

Austin area banks earlier this year were tapped for a special assessment, as were all banks. Most bankers realize that **another assessment will be due soon.** And some are predicting there may be **one or two more assessments in 2010.**

**These fees couldn't come at a worse time for banks.** The assessment comes straight off the bottom line at banks, cutting into diminishing profits the banks are dealing with in this economic environment. And it obviously **drains funds that could be loaned to its customers – loans that could help spur the economic growth of the Austin area.**

The individual assessments depend upon a bank's health. And most Austin area banks are healthy. But this FDIC action means that most Austin area bank fees have nearly **quadrupled this year and more is on the way.**

**There is an important undercurrent to all the hand-to-hand combat between Democrats and Republicans. And it runs directly from Washington to Austin.**

While much of the rhetoric revolves around the high profile issues of the moment in Washington, **the savvy politicians are focusing a few years down the road.** Of course the mid-term elections in 2010 will be in the spotlight, as they should be. Every single seat in the US House of Representatives will be on the ballot, as will almost half the seats in the US Senate. So political control of the next Congress will be uppermost in most discussions.

But the long-term undercurrent consequences have much more importance. The every-10-year US Census will be taken as of April 1, 2010. And when the results are finally officially tallied in 2011, **Texas should gain more seats in Congress than any other state in the union.**

Due to population gains over the past ten years, it is virtually certain that **Texas will get at least three new seats when the 2011 reapportionment occurs. And some are estimating it could be as many as four.** This is very significant. Because the total number of seats in the US House is constitutionally capped at 435, **every seat that Texas gains means a seat is lost in another state.**

States likely to *lose seats* include New York, Massachusetts, New Jersey, Pennsylvania, Ohio, Michigan, Iowa and Louisiana. **So the clout of Texas relative to these states increases exponentially.** Other states that may *pick up* a Congressional seat include Arizona, Utah, Florida, Nevada and Georgia.

Within Texas, **more Congressional and Legislative districts will move from small town and rural Texas to rapid growth areas such as Austin, Dallas-Fort Worth, Houston, and San Antonio.** Who draws these districts? The Texas Legislature. But the ultimate decision may involve the US Department of Justice (DOJ) and the federal courts.

The redistricting session of the Legislature in 2011 will be bloody, if recent history is an indicator. This is why the Dems and GOPers will be battling for majority control of the Texas House and Senate. And, **due to a recent USSupreme Court ruling that, ironically involved an Austin Utility District, the boundary realignments must be approved by DOJ, after a Legislative bloodletting.**

Unlike ten years ago when the Justice Department was run by Republican Attorney General **John Ashcroft**, the DOJ's Voting Rights Division is now headed by Democrat Attorney General **Eric Holder**. So even if the Republicans retain control of the Texas Legislature, the new redistricting plan will have to gain the approval of the Democrat-controlled DOJ. And the losing side may ultimately take it to the courts. **All of this has major implications for political power in Texas – and the US – over the next decade.** And the pieces are being put into place as we speak.

**Texas population has grown faster than any other state since 2000, when the last population census was conducted. As a result, Texas is dramatically demographically different than it was then. This has major political implications for the next ten years.**

As we have been reporting over the last decade, the population of Texas – and particularly, Austin – has grown significantly. **But Texans have not been cloning themselves. Those who have moved here have changed the demographics from a decade ago.** And this could have strong political power implications.

There has been a very rapid Hispanic and Asian growth, with above average African American increases. There has been very little growth in the Anglo population. **Texas has become a “majority-minority” state during the past ten years, with less than half the population currently in the Anglo category.** And, as referenced in the previous item, there is a strong shift from rural to metro concentration.

Not widely known is that ever since the “one person, one vote” decision back in the 1960s, the US Department of Justice (DOJ) has been headed by a Republican appointee in the years the redistricting decisions have occurred. **Now the Democrats are running the DOJ.**

But Republicans control the top state offices and the Legislature in Texas. This sets up what could be a **partisan confrontation between state Republican leaders and the Democratic administration in Washington** that was put into power with strong support from African Americans and Hispanics.

**The stakes are high in this fast-growth state.** US House districts, Texas House districts and Texas Senate districts will have their boundaries re-drawn. And both political parties will be jockeying for an advantage to set the stage for political power for the next decade.

**The Texas Lottery – touted as a revenue-raiser for the state – kicked off in 1992. How are they doing? Glad you asked.**

The state’s fiscal year ended August 31, 2009. So for Fiscal Year 2009 (FY09), the **Texas Lottery transferred a total of a billion bucks to the Foundation School Fund to support public education in Texas.** Well, did the economic downturn have an effect? Apparently so, but *not a negative* impact, as this was an increase of more than \$17 million from the previous fiscal year. (One wag suggested that hope for a lottery jackpot is like a 401k for some folks!).

Total sales in FY09 increased by more than \$48 million over FY08, for a **grand total of \$3.72 billion in sales** – the 4<sup>th</sup> best year since its inception. Scratch-off tickets generated the most revenue, by far — \$2.79 billion.

**With all the airline changes and the everyday hassles of business travel, what can you expect as you make your airline, hotel, rent car, etc. plans?**

It's a mixed bag. But start first with the fact **airlines continue to reduce service to big and small markets alike. This means you will have less flexibility and fewer available seats.** And on top of this, industry estimates are suggesting domestic airline fares will go up by about 6%. They are predicting international fares will stay even, except for India and China where a 10% increase is forecast. Rental car rates are expected to increase 5%, meals about 3%.

**Hotels are the bright spot for business travelers. On average, rates have dropped anywhere from 10% to 20% —** and those ridiculously-high New York City hotel rates are off by about 30%. Las Vegas rates are also off 30%. Overall, hotel rates are not predicted to go up anytime soon as they struggle to put heads into beds. As a result, hotels are making deals now for rooms and services.

As to the hassles, businesses have hopped onto the “passengers’ bill of rights” legislation bandwagon. There have been too many stories where **business travelers have spent hours on jets that were idling on tarmacs for so long they no longer had a reason to make the trip. And to top it off, they couldn’t get off the plane and simply not go.**

In the past, business groups have opposed the passenger’s bill of rights legislation because they felt Washington-imposed regulations could boomerang. Not any more. **They have now joined consumer groups in pressing for the bill.**

What this means is a no-nonsense bill is likely to pass Congress – and soon. **As a result, airlines will be forced to allow deplaning after tarmac delays of three hours.** And they will be mandated to provide food, water, good ventilation, etc. during those delays.

**Dr. Louis Overholster** chuckled when he saw this newspaper want ad: “For Sale: Wedding dress, size 8. Worn once by mistake!”

Sincerely



Editor/Publisher