

2004 EDITION

CONGRESS AVE.

AUSTIN'S OLDEST PROFESSION:

TEXAS' TOP LOBBY CLIENTS
& THOSE WHO SERVICE THEM



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Austin's Oldest Profession:

Texas' Top Lobby Clients & Those Who Service Them 2004 Edition

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Data analyzed in this report come from reports that lobbyists filed with the Texas Ethics Commission (TEC). Lobby fees are reported within broad ranges (such as "\$50,000 to \$99,999"). For brevity's sake, except where otherwise stated, this study reports the maximum amount, labeling it "maximum" or "up to."

I. Lobby Facts

- Texas' 2003 state lobby ranked No. 2 in the nation after California, a recent report found. Yet that study was based on the *minimal* value of lobby expenditures in Texas (where lobbyists report income in ranges (such as \$50,000 - \$99,999). Texas' *maximum* lobby contracts far exceeded California's lobby.
- In the past ten years special interests have spent between \$874 million and \$2 billion on 56,858 Texas lobby contracts.
- Governor Rick Perry made 2003 a banner lobby year by calling the legislature back for three special redistricting sessions. In 2003, 2,283 clients paid 1,578 Texas lobbyists between \$132 million and \$276 million to execute 6,593 lobby contracts. This lobby spending was up 60 percent over 1995.

Top Lobby Clients

- As usual, SBC (Southwestern Bell) dominated, paying 110 lobbyists up to \$7.6 million.
- SBC and 16 other mega-clients had maximum lobby expenditures exceeding \$1 million each. These huge clients accounted for 11 percent of Texas' total lobby spending.
- Led by TXU, Energy and Natural Resources was the No. 1 lobby sector. The up to \$43 million that this industry spent on 908 contracts accounted for 16 percent of Texas' total lobby spending.
- The next largest sectors were: Ideological and Single-Issue clients (13 percent of the total); Health clients (12 percent); and Miscellaneous Business clients (11 percent).

Top Lobbyists

- Public Strategies Managing Director Rusty Kelley led the lobby, reporting 58 contracts worth up to \$5.2 million. A revolving-door lobbyist, Kelley previously was a House Sergeant at Arms and an aide to then-Speaker Billy Clayton.
- 59 Texas lobbyists reported maximum lobby incomes of \$1 million or more in 2003—up from 38 million-dollar lobbyists in 2001. After Kelley, the top-billing lobbyists were ex-lawmakers Stan Schlueter and David Sibley.
- The 26 lobbyists who reported maximum incomes exceeding \$1.5 million collectively billed their clients up to \$58 million. These 26 lobbyists collected one out of every five Texas lobby dollars.
- Texas lobbyists reported 35 mega-contracts worth unspecified amounts of “more than \$200,000.” This was more than twice the number of mega-contracts reported in 2001. CITGO Petroleum and the City of Houston each bankrolled two mega-contracts. While three lobbyists claimed two mega-contracts each: Elton Bomer; Pam Giblin; and Karen Johnson.

II. Lobby Clients

A. Texas' Escalating Lobby Spending

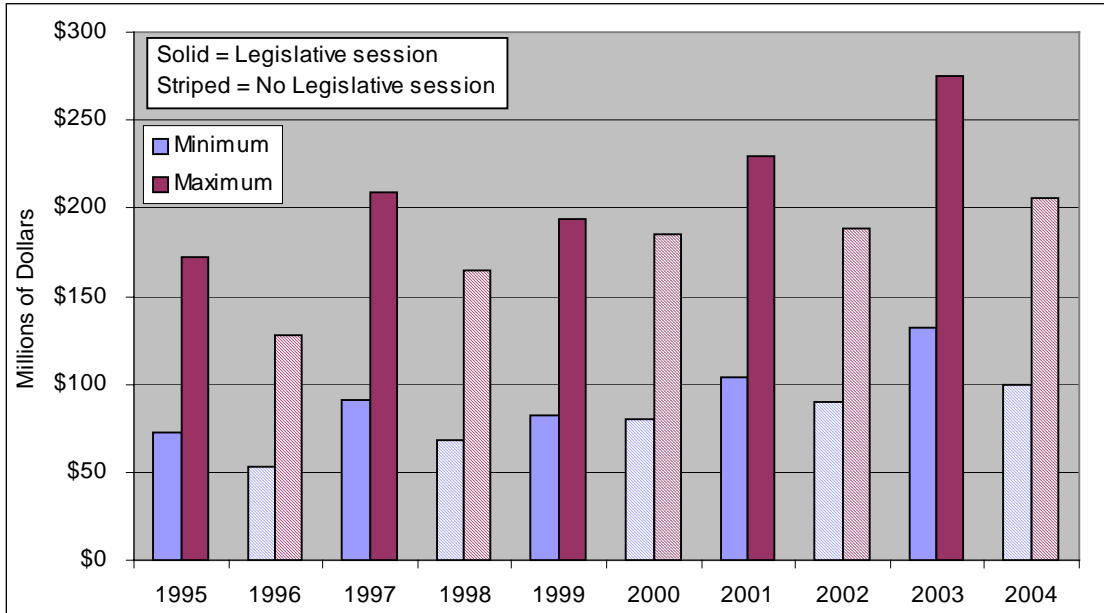
Over the past ten years, special interests have spent between \$874 million and \$2 billion on 56,858 Texas lobby contracts. As the accompanying table shows, total lobby spending has increased far more than the number of lobbyists, clients and contracts.

Texas' lobby spending peaks in odd-numbered years when the biennial Texas Legislature is in its regular session. With the exception of 1999, lobby spending has increased over time, regardless of whether you compare odd-numbered legislative years (solid bars) or even-numbered years when there is no regular legislative session (striped bars).¹ Lobby spending for a given year peaks at the end of the year--after the last lobby reports are filed. The data in the accompanying charts show year-end data for every year except 2004 (which is based on June 2004 data).

This report reveals the industries and clients that spent the most to influence public officials in 2003, as well as Texas' top hired guns that year. As the accompanying graph shows, lobbying is a growth industry. Special interests spent up to \$276 million on Texas lobbyists in 2003, up 60 percent from the \$172 million maximum that lobby clients spent in 1995. (Exact contract values are unknown because Texas lobbyists report them in ranges (such as "\$50,000 to \$99,999"). By convening the legislature for three special redistricting sessions, Governor Rick Perry made 2003 a banner lobbying year.

¹ The 1999 session was a sleeper compared to its two predecessors. Newly elected Governor George Bush pushed through a radical package of lawsuit limits in 1995. Governor Bush's failed 1997 demands to overhaul the tax system to cut property taxes made the lobby scramble again.

Texas' Escalating Lobby Spending, (1995-June 2004)



Year	Min. Value of Contracts	Max. Value of Contracts	Contracts	Lobbyists	Clients
1995	\$72,198,759	\$172,408,772	5,730	1,599	1,851
1996	\$53,085,881	\$128,190,898	4,491	1,229	1,430
1997	\$90,559,499	\$209,514,514	6,526	1,557	1,988
1998	\$68,300,300	\$164,285,312	5,495	1,297	1,599
1999	\$82,930,600	\$194,295,620	6,280	1,510	1,870
2000	\$80,250,300	\$185,135,319	5,834	1,280	1,658
2001	\$104,490,030	\$229,715,049	6,391	1,484	2,018
2002	\$90,175,079	\$188,305,115	4,737	1,256	1,827
2003	\$132,485,543	\$275,585,578	6,593	1,578	2,283
2004†	\$99,985,043	\$206,340,075	4,781	1,303	2,015
Total:	\$874,461,034	\$1,953,776,252	56,858	*	*

Note: Data only include contracts with minimal values greater than zero.

*Totals for these categories would mislead since many lobbyists and clients reappeared throughout the years shown.

† Incomplete 2004 data only include contracts reported as of June of that year.

B. The Nation's No. 2 State Lobby

The adage “Everything’s bigger in Texas” is difficult to prove or disprove where lobby expenditures are concerned. A kaleidoscope of different state lobby reporting requirements subjects any state lobby ranking to numerous caveats. *Under Pressure*, a recent study by the Washington, D.C.-based Center for Public Integrity, found that Texas had the nation’s second-highest lobby expenditures in 2003 after California. Yet the \$191 million figure that *Under Pressure* uses for California is based on the *actual* value of lobby contracts. In contrast, the \$137 million figure that the same study uses for the Lone Star State is based on the *minimum* value of Texas’ lobby contracts. Texas braggarts will note that the \$276 million *maximum* value of Texas lobby contracts far exceeds the \$191 million in California lobby expenditures.

Top Lobby States in 2003

State	Value of 2003 Lobby Contracts
California	\$191,041,807
Texas	*\$137,402,500
New York	\$120,000,000
Massachusetts	\$58,936,454
Minnesota	\$43,925,842
Washington	\$33,277,396
Maryland	\$30,500,000
Connecticut	\$30,127,231
New Jersey	\$26,672,823
Michigan	\$26,571,893

* This figure exceeds the \$132 million minimal value of 2003 lobby contracts used in this report because the Center’s study also includes lobbyists’ wining-and-dining expenditures.

C. Million-Dollar Clients

The remainder of this report analyzes the 6,593 *paid* Texas lobby contracts reported by the end of 2003. The 1,578 lobbyists who reported these contracts said that they were worth a total of between \$132 million and \$276 million (Texas lobbyists report contract values in ranges: e.g. “\$50,000 - \$99,999”).

By the end of 2003, 17 mega-clients had maximum lobby expenditures of more than \$1 million apiece (the appendix lists Texas’ top 100 lobby clients). These 17 mega-clients collectively spent up to \$30.4 million, accounting for 11 percent of Texas’ total reported lobby expenditures. As usual, SBC (Southwestern Bell) was far and away Texas’ top lobby client, spending up to \$7.6 million on 110 staff and freelance lobbyists in 2003.

Million-Dollar Clients

2003 Lobby Client	Contract Value (Max.)	Contract Value (Min.)	No. of Contracts
SBC (Southwestern Bell)	\$7,570,000	\$3,935,000	110
TX Utilities Co. (TXU)	\$1,920,000	\$870,000	55
EDS (Electronic Data Systems)	\$1,860,000	\$1,300,000	16
TX Medical Association	\$1,725,000	\$935,000	24
City of Houston	\$1,705,002	\$1,010,000	32
Assn. of Electric Companies of TX	\$1,675,000	\$785,000	30
Verizon	\$1,665,000	\$735,000	45
City of Austin	\$1,510,000	\$750,000	22
AT&T Corp.	\$1,475,000	\$720,000	29
CenterPoint Energy	\$1,395,000	\$700,000	21
ExxonMobil Corp.	\$1,250,000	\$735,000	19
TX Hospital Assn.	\$1,225,000	\$610,000	19
Metro. Transit Authority of Harris County	\$1,165,000	\$560,000	20
McGinnis Lochridge & Kilgore	\$1,075,004	\$960,000	7
TX Assn. of Realtors	\$1,075,001	\$685,000	10
Affiliated Computer Services (ACS)	\$1,060,000	\$520,000	19
TX Assn. of School Boards	\$1,050,000	\$525,000	12

Damages Control: The Lawsuit-Protection Lobby (SIDEBAR)

Spores of the biggest business lobby coup of 2003—a new crop of lawsuit limits—may have germinated in 2001, when Rep. Joe Nixon filed mold claims on his \$369,500 home. Farmers Insurance, which initially paid \$300,000 on the lawmaker’s mold claims, paid Nixon another \$13,000 more during the 2003 legislative session for damage that contractors did to Nixon’s yard. A whistle-blowing Farmer’s mold manager complained that her superiors “strong armed” this extra payment to curry favor with a powerful lawmaker, a complaint that Travis County prosecutors rejected. Nonetheless, “Moldy Joe” Nixon emerged as the insurance industry’s best friend in the 2003 legislature.

During that session, Nixon ostracized “frivolous” mold claims on his legislative web site and used a perk only available to lawmaker attorneys to delay the trial of an insurer that denied a Baptist church’s mold claims. Most importantly, Nixon authored H.B. 4, a grab bag of lawsuit-limits to benefit every major industry. This law imposes numerous new hurdles on plaintiffs who seek to recover damages involving: Medical-malpractice; Nursing homes; Product liability; Asbestos; Class actions; and Multiple defendants who share responsibility for an injury.

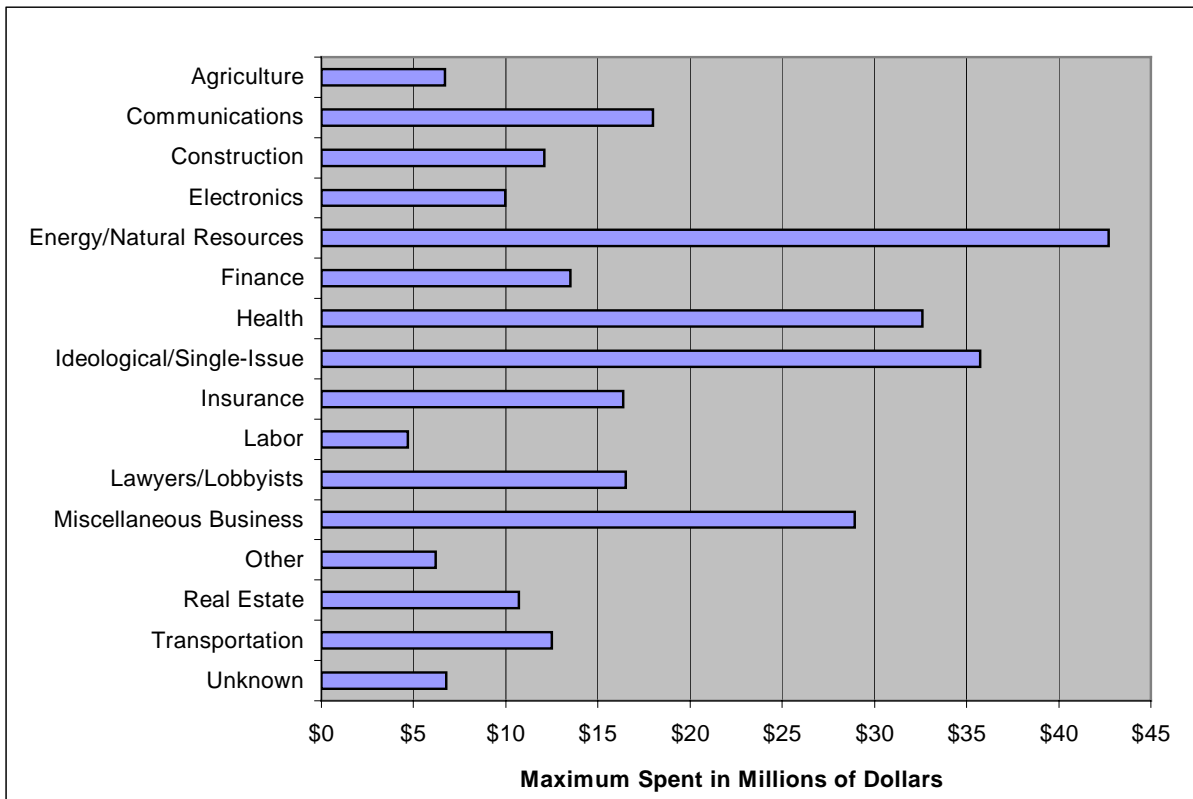
Apart from the four local-government clients in the million-dollar club, the industry of every other million-dollar client urged lawmakers to pass H.B. 4. Four million-dollar clients testified directly in favor of this legislation: the Texas Medical Association, the Texas Hospital Association, the Association of Electric Companies and ExxonMobil.

Plaintiff attorneys and consumer organization led opposition to this legislation. Trial lawyer interests spent up to \$2.6 million on 2003 lobbyists, led by Asbestos Free Texas (up to \$985,000). The second largest plaintiff client was Linebarger Heard Goggan (\$915,000), a firm that specializes in landing municipal tax-collection contracts--and fending off related ethics scandals. The Texas Trial Lawyers Association, the chief opponent of H.B. 4 as a whole, was the next largest plaintiff client (\$650,001).

D. Clients By Interest Category

This report categorizes Texas' 2003 lobby contracts by their underlying interests. Energy & Natural Resources is the leading category, accounting for 16 percent of all lobby money. The next largest categories are: Ideological & Single-Issue clients; Health; and Miscellaneous Business.

Lobby Contracts By Interest Category



Interest Category	Max. Value of Contracts	Min. Value of Contracts	No. of Contracts	Percent (of Max. Value)
Agriculture	\$6,815,001	\$3,130,000	174	2%
Communications	\$18,095,500	\$8,935,500	367	7%
Construction	\$12,180,002	\$6,130,000	249	4%
Electronics	\$10,055,000	\$5,015,000	217	4%
Energy & Natural Resources	\$42,800,004	\$21,230,000	908	16%
Finance	\$13,595,001	\$6,095,000	342	5%
Health	\$32,720,001	\$15,245,000	822	12%
Ideological & Single Issue	\$35,850,047	\$16,980,043	917	13%
Insurance	\$16,485,000	\$6,795,000	548	6%
Labor	\$4,775,000	\$2,175,000	117	2%
Lawyers & Lobbyists	\$16,590,018	\$10,145,000	286	6%
Miscellaneous Business	\$29,045,002	\$13,900,000	694	11%
Other	\$6,305,000	\$2,880,000	156	2%
Real Estate	\$10,825,002	\$5,520,000	219	4%
Transportation	\$12,585,000	\$5,805,000	289	5%
Unknown	\$6,865,000	\$2,505,000	288	2%
TOTALS:	\$275,585,578	\$132,485,543	6,593	100%

Energy & Natural Resources Contracts

The oil, gas and utility interests that have long ruled Texas dominate the Energy and Natural Resources sector, which is led by TXU (see “TXU’s Bad Breaks”). With its heavy use of joint ventures and contractors, this industry stands to benefit from 2003 restrictions on proportional liability, in which more than one defendant is responsible for an injury (see “Damages Control”). Energy-industry pollution has created business opportunities for three other major lobby clients in this sector: Fuel Cells Texas, Environmental Systems Products Holdings and Waste Control Specialists.

Fuel Cells Texas represents companies developing technology that chemically converts fuel to electricity without burning fuel. Members of this new-age trade group include such old-age energy and chemical companies as CenterPoint, Hunt Power, ChevronTexaco, Siemens Westinghouse, Shell and DuPont. These companies know how to jump-start politicians. Fuel Cells Texas formed in 2001, when the legislature ordered the State Energy Conservation Office to find ways to promote this technology. Shortly after President Bush plugged fuel cells in his 2003 State of the Union address, energy interests announced that they were seeking government aid to establish an alternative-energy research complex. They then built their Texas Energy Center at the University of Houston’s new Sugar Land campus--in the backyard of House Majority Leader Tom DeLay. Governor Perry announced a \$3.6 million grant to the Texas Energy Center in 2004, in one of the first handouts of his new Texas Enterprise Fund.

The nation’s largest contractor for vehicle emissions testing, Environmental Systems Products Holdings (ESP) won a \$3.5 million contract in 2001 to supply the Texas Department of Public Safety with remote-sensing devices, which measure pollution from passing vehicles. ESP also produces half of the emissions-testing equipment used around Houston and Dallas-Fort Worth. This testing requirement is expanding as other Texas cities struggle to comply with federal air-quality laws. The Texas Commission on Environmental Quality announced in 2004 that ESP was fixing a software glitch that improperly flunked some vehicles.

Top Energy & Natural Resources Clients

Lobby Client	Max. Value Of Contracts	No. of Contracts
Texas Utilities Co (TXU)	\$1,920,000	55
Assn. of Electric Companies of TX	\$1,675,000	30
CenterPoint Energy	\$1,395,000	21
ExxonMobil Corp	\$1,250,000	19
Fuel Cells TX	\$950,000	7
Waste Control Specialists, Inc	\$950,000	21
Sentinel Resources Corp.	\$900,000	8
Reliant Resources	\$815,000	15
Environmental Systems Products Holdings	\$760,000	12
Exelon Power TX	\$750,000	8
Valero Energy Corp.	\$735,000	15
Sempra Energy	\$670,000	12
Entergy Corp.	\$655,000	20
American Electric Power	\$645,000	12
Texas Electric Co-Op, Inc	\$625,001	8

Controlled by Dallas corporate-takeover billionaire Harold Simmons, Waste Control Specialists (WCS) lobbied for eight years for permission to dump nuclear waste in West Texas. After the Simmons family and its Contran holding company gave \$435,000 to state politicians in 2002, the 2003 legislature agreed to let the nation's nuclear power plants and federal nuclear weapons sites ship low-level radioactive waste to the company's dumps. WCS stands to make billions of dollars off this law, which saddles taxpayers with long-term liability for this nuclear waste.

Against citizen opposition, Sentinel Resources has spent five years seeking a permit for a traditional landfill south of Houston. Two administrative law judges recommended in June 2004 that the Texas Commission on Environmental Quality reject Sentinel's application, which the judges said failed to satisfy water-quality and other concerns.

TXU's Bad Breaks

TXU was one of four power companies that agreed to pay \$10.5 million in 2002 to settle Texas Public Utility Commission charges that they improperly made \$29 million by manipulating Texas' deregulated market. TXU became Texas' largest electric and gas utility in 1997, when it acquired Lone Star Gas. The merger saddled TXU with a defective gas pipeline that has caused eight explosions and five deaths since its installation in the early 1970s. Arguing that replacing these pipes would cost \$130 million, TXU sought Texas Railroad Commission approval in May 2003 to hit North Texas gas customers with a huge rate increase. The City of Dallas and other opponents of the rate hike argued that TXU should eat these costs because it should have foreseen this problem when it bought the moldering pipeline. Opponents also said repair costs escalated because the utility failed to tackle the problem sooner. Apart from its stable of lobbyists, TXU also retained Public Strategies to conduct a public-relations campaign to counter "fear-mongering" by critics of the defective pipe. "It was never our intention to prosecute this in the media," a TXU spokesperson told the *Fort Worth Star-Telegram*. "But we've been backed into the corner."

TXU's rate-hike request bitterly divided the three Railroad Commissioners, forcing them to choose between a large bloc of voters and a big campaign donor. The only commissioner facing voters in 2004, Victor Carrillo held out until the end of a May 2004 hearing before casting the deciding vote to deny most of the rate increases that TXU sought. Commissioner Michael Williams blasted the decision as "capricious, contrary to the law and an act of sheer cowardice." By voting against the utility, which he said "did not operate in a prudent manner," Commissioner Charles Matthews sidestepped a firestorm. Matthews earlier ignited a 2000 ethics scandal by declining to recuse himself from a rate-hike request by TXU—the longtime employer of his son.

Ideological and Single-Issue Contracts

Local governments dominated lobby contracts in the Ideological and Single-Issue sector. This sector's top clients were the state's largest city and the state capital. Austin clashes with the legislature more than any other city due to its modest efforts to protect its local environment.

The public transportation authorities of Houston, Dallas and Austin also ranked among this sector's top lobby clients. All of these entities have hustled dollars and votes for rail systems in recent years. Austin's metro authority is revamping its rail proposal, which voters narrowly derailed in 2000—the same year that Dallas voters snubbed a bond initiative for their rail system. Houston-area voters narrowly approved expanding their system in late 2003.

The Texas Civil Justice League and Texans for Lawsuit Reform lobbied in 2003 for lawsuit limits, led by H.B. 4 (see “Damages Control”). A similar-sounding attorney group, Texans for Civil Justice, opposed that legislation. The Tigua Indians' Ysleta Del Sur Pueblo had a big stake in recent proposals to legalize slot machines (see “Gambling on Slot Machines”).

The Texas Municipal League (TML) did not claim much bang for its lobby bucks. TML bemoaned a 2003 ethics law that requires big-city officials to disclose personal financial information (as state officials do) and applauded passage of three under-whelming “priorities.”²

Two public entities are involved in the state's burgeoning water wars (private water companies are classified under “Energy and Natural Resources”). The Lower Colorado River Authority and San Antonio Water System agreed in 2002 to pursue a complex deal in which the city would fund reservoirs and rural water-conservation projects along the Colorado River in exchange for a cut of the captured water.

This sector's leading public-interest client was the American Cancer Society, which promoted tobacco taxes, the Children's Health Insurance Program and an anti-obesity drive for kids.

Top Ideological & Single-Issue Clients

Lobby Client	Max. Value Of Contracts	No. of Contracts
City of Houston	\$1,705,002	32
City of Austin	\$1,510,000	22
Metropolitan Transit Authority of Harris County	\$1,165,000	20
Texas Civil Justice League	\$990,000	23
Texas Municipal League	\$960,000	13
Ysleta Del Sur Pueblo Tribal Council	\$900,000	7
Lower Colorado River Authority	\$815,000	23
Dallas Area Rapid Transit	\$750,000	5
Capital Metropolitan Transportation Authority	\$750,000	5
Texans for Lawsuit Reform	\$675,000	13
Port of Houston Authority	\$640,000	13
American Cancer Society	\$625,000	11
San Antonio Water System	\$610,000	8
City of Laredo	\$560,001	6
Texans for Civil Justice	\$550,001	4

² These laws: Exempt some security matters from public disclosure; Let local courts keep charging “technology fees;” and Grant city-manager cities authority to appoint personnel.

Health Contracts

The two trade associations with the greatest interest in capping damages paid to medical malpractice victims—the Texas Medical Association and the Texas Hospital Association—led the health industry lobby. Other doctor and hospital interests that made heavy lobby expenditures include the Texas Ophthalmological Association, the Trinity Mother Frances Health System³ and Save Our ER's, which seeks more Houston-area trauma services. Formed specifically to cap malpractice damages (see “Doctored Malpractice Claims”), the Texas Alliance for Patient Access allied medical with health insurance interests.

The top health insurance lobby forces were PacifiCare, Blue Cross, AMERIGROUP and the Texas Association of Health Plans trade group. This industry pushed two 2003 bills that now allow insurers to charge consumers more co-payments and deductibles for fewer covered benefits.⁴ The Texas Attorney General also sued PacifiCare in 2001 for failing to pay medical bills promptly; the parties partially settled these claims in 2003. Lawmakers passed SB 418 in 2003 in yet another effort to make insurers pay medical bills promptly.

Other major health lobby clients have stakes in other H.B. 4 lawsuit limits, including nursing home interests (Mariner) and drug makers. Drug interests (GlaxoSmithKline and the Pharmaceutical Research & Manufacturers of America) also swarmed a 2003 bill that established a preferred drug list for Texas Medicaid patients.⁵ Failing to kill the list outright, drug makers sought exceptions for some drugs and then lobbied to get their products listed. In 2004 drug makers GlaxoSmithKline and Bayer agreed to pay \$9 million to settle Texas' share of federal Medicaid fraud charges.

Top Health Clients

Lobby Client	Max. Value Of Contracts	No. of Contracts
TX Medical Assn.	\$1,725,000	24
TX Hospital Assn.	\$1,225,000	19
GlaxoSmithKline	\$800,000	7
TX Alliance for Patient Access	\$650,000	9
PacifiCare	\$560,000	11
TX Ophthalmological Assn.	\$535,000	7
McKesson Corp.	\$500,000	5
Blue Cross & Blue Shield of TX	\$450,001	5
Trinity Mother Frances Health System	\$450,000	7
TX Dental Assn.	\$435,000	8
Pharmaceutical Research & Manufacturers of America	\$425,000	7
AMERIGROUP Corp.	\$420,000	11
TX Assn. of Health Plans	\$405,000	8
Mariner Post Acute Network, Inc.	\$400,000	7
Save Our ER's	\$400,000	8

³ Joined by Trinity Mother CEO Lindsey Bradley, Governor Perry used this Tyler hospital for one of his photo-ops promoting malpractice caps.

⁴ SB 541 and SB 10.

⁵ A provision of HB 2292--the massive Health and Human Services reorganization bill.

Doctored Malpractice Claims

A key part of H.B. 4 (see “Damages Control”) capped the damages that Texas courts can award to medical malpractice victims. The law caps non-economic medical malpractice damages (for pain, suffering, disfigurement and impairment) at a maximum of \$250,000. Fearing constitutional challenges, lawmakers also floated a constitutional amendment to allow such caps. The amendment passed in September 2003—with 51 percent of the vote

This battle pitted the medical and insurance lobbies against plaintiff attorneys. As the battle raged, media stories contained troubling reminders that the state was limiting malpractice damages--without limiting malpractice itself:

- Baylor Medical Center doctors had good and bad news for Nelda Jordan Miles of Grapevine after her February 2003 cancer surgery. The bad news was that they removed the wrong kidney. The good news was that kidney that they meant to remove was not cancerous, after all.
- The Arandas family of East Texas filed a lawsuit in March 2003 against Baylor Medical Center and Dallas’ Children’s Medical Center after an organ-donor blood mismatch killed their baby girl, Jeanella.
- Shortly before Texans voted on the damage-cap amendment, mechanic Hurshell Ralls settled a lawsuit against the Clinics of North Texas and the two doctors who amputated his penis after a diagnosis of penile cancer. Post-operative pathology revealed that Ralls did not have cancer, after all.

Two leading champions of caps on malpractice damages were the Texas Medical Association and the Texas Hospital Association, which had maximum lobby expenditures of more than \$1 million apiece in 2003. The pro-caps lobby argued that skyrocketing malpractice awards triggered skyrocketing malpractice insurance rates that were putting doctors out of business. *If this were true*, then capping malpractice damages would rollback insurance rates and save the medical profession from extinction. Governor Rick Perry’s Insurance Commissioner, Jose Montemayor, wrote lawmakers in March 2003 that the proposed caps “would translate to a 17 percent to 19 percent reduction in rates.” Yet lawmakers quietly stripped out Rep. Patrick Rose’s amendment to mandate rate reductions.

Lacking such accountability, just one medical malpractice insurer lowered its rates in early 2004. Montemayor then told lawmakers in April 2004 that the highly specific numbers that he cited a year earlier were theoretical figures that were not intended to suggest that malpractice insurance rates would actually decrease by any specific amount. In fact, a couple insurers applied to regulators to increase their malpractice rates by at least as much as Montemayor had said that rates would fall. When regulators balked at a 19 percent rate-hike request by GE Medical Protective, this malpractice insurer announced in 2004 that it would dodge regulation altogether.

Miscellaneous Business Contracts

The Miscellaneous Business sector’s gambling, alcohol and pornography industries have major stakes in the “sin-tax” debate. Forecasts of massive state budget shortfalls overshadowed Texas’ 2003 legislative session. Lawmakers largely addressed the fiscal crunch in 2003 through spending cuts—postponing the dicey issue of how to increase revenues for the special session that Governor Perry called in early 2004. With most lawmakers unwilling to consider a state income tax or closing corporate tax loopholes, “sin taxes” emerged as the most painless way to boost revenues. One exception was a failed House proposal to increase the state sales tax and apply it to previously exempt services (thereby offending the refined tastes of the Texas Association of Interior Design).

Governor Perry kicked off the 2004 special session with a proposal to raise \$7 billion in new revenues, led by the following sin-taxes:

- \$2.6 billion from cigarettes;⁶
- \$2 billion from legalizing slot machines; and
- \$90 million from fees on topless bars.⁷

The governor’s sin-tax list hit tobacco but sidestepped the nation’s next two leading causes of preventable deaths: diet and exercise problems (No. 2); and alcohol (No. 3). This was a coup for the alcohol lobby, led by Miller Brewing, Wholesale Beer Distributors and Anheuser-Busch. Similarly, the obesity epidemic is feeding liability and sin-tax concerns within the junk-food industry (see Kraft and Texas Soft Drink Association).

Unlike these purveyors of legal sins, the gambling industry actually lobbied for passage of a new sin tax—if the state would legalize slot machines at race tracks and Indian reservations (see “Gambling on Slot Machines”).

Top Miscellaneous Business Clients

Lobby Client	Max. Value Of Contracts	No. of Contracts
MEC Lone Star	\$750,000	5
Miller Brewing Co.	\$705,000	13
TX Assn. for Interior Design	\$600,000	6
Wholesale Beer Distributors of TX	\$585,000	9
Silverleaf Resorts, Inc.	\$560,000	8
Rio Grande Valley Partnership	\$500,000	5
Amusement & Music Operators of TX	\$480,000	10
Kraft Foods North America	\$480,000	10
GTECH Corp.	\$450,000	4
Oberthur Gaming Technologies	\$410,000	6
Crown Cork & Seal	\$400,000	8
Anheuser-Busch Co’s	\$365,000	9
TX Petroleum Marketers & Convenience Store Assn.	\$355,000	9
Greater Fort Bend Economic Development Council	\$325,000	4
Gulf Greyhound Partners	\$310,000	3
TX Soft Drink Assn.	\$310,000	9

⁶ The tobacco industry (classified in the Agriculture sector) reported 28 Texas lobby contracts in 2003 worth up to \$1.7 million.

⁷ The porn industry’s First Amendment Coalition spent up to \$300,000 on three lobbyists in 2003.

Dallas-based Silverleaf Resorts has generated class-action lawsuits and hundreds of complaints with the Better Business Bureau and the state Attorney General and Real Estate Commission. Customers have complained that Silverleaf used high-pressure and deceptive tactics to sell time shares in low-end resorts that reportedly are poorly maintained.

Gambling On Slot Machines

Gambling and Indian interests carefully laid the groundwork for Governor Rick Perry's 2004 proposal to raise \$2 billion over three years by legalizing video-lottery slot machines at Texas race tracks and Indian reservations. These two interests collectively spent up to \$4.8 million on 90 lobby contracts in 2003 (Indian tribes are classified in the Ideological and Single-Issue sector). The race track industry hired former Perry Press Secretary Ray Sullivan and paid more than \$200,000 to former Texas Secretary of State Elton Bomer. Gambling interests also dropped \$572,175 into Perry's war chest in the four years preceding the governor's slots proposal (2000-2003).

The top race-track lobby clients were Magna Entertainment Corp.'s MEC Lone Star, which owns Lone Star Park in Grand Prairie, and Gulf Greyhound Partners, which owns Gulf Greyhound Park south of Houston. While lottery contractors such as GTECH and Oberthur Gaming must compete with slot machines for gambling dollars, GTECH bet on both ponies by buying a company that makes video lottery terminals. Finally, the Amusement and Music Operators of Texas (AMOT) represents owners of "eight-liner" gambling machines. After the Attorney General's Office seized more than 2,000 of these illegal machines in recent years, AMOT urged lawmakers in late 2003 to legalize slot machines and give its members a piece of the action. But slots and other revenue-raising proposals crapped out with lawmakers in the 2004 special session.

III. Lobbyists

A. \$1.5 Million Lobbyists

Fifty-nine Texas lobbyists reported maximum lobby incomes of \$1 million or more in 2003—up from 38 million-dollar lobbyists in 2001. The accompanying table lists the 26 lobbyists who reported maximum lobby incomes of more than \$1.5 million. Collectively these 26 lobbyists billed their clients up to \$58 million—or one out of every five lobby dollars billed in Texas.

Texas' \$1.5 Million Lobbyists

Lobbyist	Max. Value of Contracts	Min. Value of Contracts	No. of Contracts	Lobbyist's Background
Russell 'Rusty' Kelley	\$5,220,000	\$3,095,000	58	Ex-Speaker's aide
Stan Schlueter	\$3,335,001	\$2,035,000	32	Ex-Chair House Calendars Com.
David Sibley	\$3,120,000	\$1,715,000	41	Ex-Chair Business & Commerce Com.
Randall H. Erben	\$2,950,000	\$1,495,000	35	Law Offices of Randall Erben
Brian G. Yarbrough	\$2,950,000	\$1,495,000	36	Works with Randall Erben
W. James Jonas III	\$2,670,001	\$1,690,000	27	At Loeffler Jonas & Tuggey
Andrea McWilliams	\$2,530,000	\$1,195,000	39	Ex-legislative aide
Dean R McWilliams.	\$2,160,000	\$1,045,000	29	Ex-legislative aide
Neal 'Buddy' Jones.	\$2,125,000	\$975,000	55	Ex-legislator & Speaker's aide
Robert D. Miller	\$2,085,000	\$1,205,000	22	Ex-legislative aide
John M. Erskine, Jr.	\$2,075,000	\$1,095,000	28	Ex-Amoco & DuPont lobbyist
Bill Messer	\$2,075,000	\$1,005,000	45	Ex-legislator
Denice Marchman	\$1,925,000	\$1,020,000	26	At Hughes & Luce
Marc T. Shivers	\$1,925,000	\$1,020,000	26	At Hughes & Luce
Myra Leo	\$1,875,000	\$995,000	25	Ex-legislative aide
Larry D. McGinnis	\$1,875,000	\$995,000	25	Ex-legislative aide
Mignon McGarry	\$1,825,000	\$1,025,000	22	Ex-Congressional aide
Machree G. Gibson	\$1,820,000	\$970,000	23	Ex-Ast. Sec. of State & governor's aide
Jay P Brown.	\$1,710,000	\$925,000	19	Ex-federal judge clerk
Jay W. Propes	\$1,710,000	\$925,000	19	Ex-Congressional aide
Shannon Lea Swan	\$1,710,000	\$925,000	19	Ex-Calendars Com. aide
Reginald G. Bashur	\$1,700,001	\$1,025,000	16	Ex-governor's aide
Pamela M. Giblin	\$1,660,002	\$875,000	55	Ex-TX Air Control Bd. Gen'l Counsel
Galt Graydon	\$1,660,000	\$900,000	18	Ex-legislative aide & U.S. attorney
J. E. 'Buster' Brown	\$1,650,001	\$940,000	20	Ex-Senator
Jack Roberts	\$1,630,000	\$815,000	24	Ex-Deputy Comptroller

By far, the state's top 2003 lobbyist was Russell "Rusty" Kelley, who reported between \$3.1 million and \$5.2 million in lobby income. The managing director of Public Strategies, Inc., Kelley previously was: Vice President of an S&L trade group; A House Sergeant at Arms; and An aide to former House Speaker Billy Clayton.

Rusty Kelley's Top 2003 Clients

Client	Max. Value Of Contract
Alabama-Coushatta Tribe of TX	\$200,000
Hillwood Development Corp.	\$200,000
Outdoor Advertising Assn. of TX	\$200,000
TX Soft Drink Assn.	\$200,000
Allstate Insurance Co.	\$150,000
Credit Union Legislative Coalition	\$150,000
Dell Computer Corp.	\$150,000
General Motors	\$150,000
E. TX Medical Center Regional Healthcare System	\$150,000
El Paso Water Utilities	\$150,000
Entergy Corp	\$150,000
Linebarger Heard Goggan Blair Graham...	\$150,000
Nat'l Assn. of Real Estate Investment Trusts	\$150,000
TX Assn. of Public & Non Profit Hospitals	\$150,000
TX Psychological Assn.	\$150,000
TX Woman's University Foundation	\$150,000
UST Public Affairs, Inc.	\$150,000
Walden Residential Properties	\$150,000
Southwest Sports Group	\$125,000
Admiral Nimitz Foundation	\$100,000
AMR Corp. (American Airlines)	\$100,000
Bass Enterprises Production Co.	\$100,000
City of San Angelo	\$100,000
Dow Chemical Co.	\$100,000
First Southwest Co.	\$100,000
Harlingen Area Chamber of Commerce	\$100,000
HMTF Operating	\$100,000
IdleAire Technologies Corp.	\$100,000
Lower Colorado River Authority	\$100,000
Lubrizol Corp.	\$100,000
MBIA Insurance Corp.	\$100,000
Nat'l Vehicle Leasing Assn.	\$100,000
Peter O'Donnell, Jr.	\$100,000
RCS Investments	\$100,000
Southwestern Bell	\$100,000

B. Fattest Lobby Contracts

Texas lobbyists reported 35 mega-contracts in 2003 worth unspecified amounts of “more than \$200,000.” This was more than twice the number of mega-contracts reported in 2001. The public has no way of knowing if these contracts were worth \$200,001 apiece or \$5 million.

In another disclosure failing, nine lobbyists reported their own firm as the client for contracts with a maximum value exceeding \$200,000. There is no way to know if unethical lobbyists and firms abuse such disclosure to conceal the identities of other paying clients. For another huge contract, the Texas Association of Realtors listed itself as both the lobbyist and client.

Fattest Lobby Contracts With Real Clients (Maximum Contract Value Exceeds \$200,000)

Client	Lobbyist
Associated General Contractors	Karen A. Johnson
Blue Cross and Blue Shield of TX	Elton Bomer
CITGO Petroleum Corp.	Kerry N. Cammack
CITGO Petroleum Corp.	Elena Guerra
City of Houston	John L. Hall
City of Houston	Robert I. Kelly
City of Laredo	Karen A. Johnson
Congress of Affordable Housing	John R. Pitts
Albert D. Huddleston	Virginia Stephens
KB Home	Reginald G. Bashur
Pearson Education	W. James Jonas, III
Pilgrim's Pride Corp.	Pamela M. Giblin
Ryan & Company	Stan Schlueter
Texans for Civil Justice, Inc.	J. E. 'Buster' Brown
TX Association of Realtors	???
TX Electric Co-Op, Inc.	Campbell McGinnis
TX Racing Agri-Industry Council	Elton Bomer
TX Trial Lawyers Assn.	Nicholas K. Kralj

Two clients—CITGO and the City of Houston—bankrolled two mega-contracts apiece. Wooded with \$5 million from Governor Perry’s Texas Enterprise Fund and a \$15 million loan from the Texas Economic Development Bank, CITGO announced in 2004 that it would relocate its corporate headquarters to Houston from Oklahoma and invest \$828 million in a Corpus refinery.

Three lobbyists landed two mega-contracts apiece. Elton Bomer, a former Secretary of State and Insurance Commissioner, reported mega-contracts with Blue Cross Blue Shield and a trade group pushing slot machines for Texas race tracks. Former Texas Air Control attorney Pam Giblin reported massive contracts with polluting poultry giant Pilgrim’s Pride and with her own Baker Botts law firm. Finally, Karen Johnson, an ex-staff lobbyist for a Texas highway trade group, reported huge contracts with the Associated General Contractors and the City of Laredo.

**Fattest Lobby Contracts With Lobby/Law Firm 'Clients'
(Maximum Contract Value Exceeds \$200,000)**

'Client' Firm	Lobbyist
Baker Botts	Pamela M. Giblin
Baker Botts	Robert Strauser
Bicameral Consultants	Johnnie B. Rogers, Jr.
Bracewell & Patterson	Jill Warren
Gardere Wynne Sewell	Carl S. Richie
Gardere Wynne Sewell	Kimberly A. Yelkin
Kemp Smith	Thomas A. Forbes
Locke Liddell & Sapp	Gary D. Compton
McGinnis Lochridge & Kilgore	Amber Alcedo
McGinnis Lochridge & Kilgore	Gaylord Armstrong
McGinnis Lochridge & Kilgore	Mary B. Reagan
McGinnis Lochridge & Kilgore	Robert C. Wilson
Vinson & Elkins	Joe Bill Watkins
Winstead Sechrest & Minick	Robert C. Bass, Jr.
Winstead Sechrest & Minick	Phil Haag
York Keller & Field	Mary Keller
York Keller & Field	Larry F. York

IV. Top Lobby Clients in Texas

Rank 2003	Rank 2001	Lobby Client	'03 Contract Value (Max.)	No. of '03 Contracts	Interest Category
1	1	Southwestern Bell (SBC)	\$7,570,000	110	Communications
2	6	TX Utilities Co (TXU)	\$1,920,000	55	Energy/Natural Resources
3	2	Electronic Data Systems (EDS)	\$1,860,000	16	Electronics
4	40	TX Medical Assn	\$1,725,000	24	Health
5	13	City of Houston	\$1,705,002	32	Ideological/Single-Issue
6	7	Assn of Electic Co's of TX	\$1,675,000	30	Energy/Natural Resources
7	15	Verizon	\$1,665,000	45	Communications
8	11	City of Austin	\$1,510,000	22	Ideological/Single-Issue
9	12	A&T Corp.	\$1,475,000	29	Communications
10	682	CenterPoint Energy	\$1,395,000	21	Energy/Natural Resources
11	8	ExxonMobil Corp.	\$1,250,000	19	Energy/Natural Resources
12	15	TX Hospital Assn	\$1,225,000	19	Health
13	27	Metro. Transit Authority of Harris Co.	\$1,165,000	20	Ideological/Single-Issue
14	41	McGinnis Lochridge & Kilgore	\$1,075,004	7	Lawyers/Lobbyists
15	14	TX Assn of Realtors	\$1,075,001	10	Real Estate
16	268	Affiliated Computer Services (ACS)	\$1,060,000	19	Electronics
17	94	TX Assn of School Boards	\$1,050,000	12	Other
18	21	TX Civil Justice League	\$990,000	23	Ideological/Single-Issue
19	*	Asbestos Free TX	\$985,000	12	Lawyers/Lobbyists
20	10	TX Municipal League	\$960,000	13	Ideological/Single-Issue
21	1562	Fuel Cells TX	\$950,000	7	Energy/Natural Resources
21	30	Waste Control Specialists.	\$950,000	21	Energy/Natural Resources
23	18	Burlington Northern & Sante Fe	\$945,000	12	Transportation
24	47	TX Assn of Builders	\$925,000	11	Construction
25	151	Linebarger Heard, Goggan,Blair...	\$915,000	28	Lawyers/Lobbyists
26	*	Sentinel Resources Corp.	\$900,000	8	Energy/Natural Resources
26	71	Ysleta Del Sur Pueblo Tribal Council	\$900,000	7	Ideological/Single-Issue
28	85	Lower Colorado River Authority	\$815,000	23	Ideological/Single-Issue
28	5	Reliant Resources	\$815,000	15	Energy/Natural Resources
30	133	TX Manufactured Housing Assn	\$810,000	9	Construction
31	185	GlaxoSmithKline	\$800,000	7	Health
31	310	TX State Teachers Assn	\$800,000	17	Labor
33	23	Associated General Contractors	\$795,001	18	Construction
34	*	Gardere Wynne Sewell	\$780,002	8	Lawyers/Lobbyists
35	31	Enviro. Systems Products (ESP)	\$760,000	12	Energy/Natural Resources
36	31	Capital Metro. Transpo. Authority	\$750,000	5	Ideological/Single-Issue
36	51	Dallas Area Rapid Transit (DART)	\$750,000	5	Ideological/Single-Issue
36	*	Exelon Power TX	\$750,000	8	Energy/Natural Resources
36	93	MEC Lone Star	\$750,000	5	Miscellaneous Business
40	25	Stratus Properties	\$735,000	10	Real Estate
40	332	Valero Energy Corp.	\$735,000	15	Energy/Natural Resources
42	301	Time-Warner Communications	\$720,000	14	Communications
43	*	Miller Brewing Co.	\$705,000	13	Miscellaneous Business
44	44	Winstead Sechrest & Minick	\$700,002	4	Lawyers/Lobbyists
45	22	Boeing	\$700,000	7	Transportation
45	31	Independent Insurance Agents of TX	\$700,000	6	Insurance
47	141	Farmers Group of Insurance Co's	\$675,000	8	Insurance
47	68	Philip Morris USA	\$675,000	10	Agriculture
47	908	Texans for Lawsuit Reform	\$675,000	13	Ideological/Single-Issue

*No lobby contracts registered in 2001.

Rank 2003	Rank 2001	Lobby Client	'03 Contract Value (Max.)	No. of '03 Contracts	Interest Category
50	476	Sempra Enegy Services	\$670,000	12	Energy/Natural Resources
51	61	Energy Corp	\$655,000	20	Energy/Natural Resources
52	42	TX Trial Lawyers Assn	\$650,001	12	Lawyers/Lobbyists
53	*	TX Alliance for Patient Access	\$650,000	9	Health
53	71	TX Cable & Telecom. Assn	\$650,000	8	Communications
55	17	American Electric Power	\$645,000	12	Energy/Natural Resources
55	49	State Farm Insurance Co.	\$645,000	13	Insurance
57	125	Port of Houston Authority	\$640,000	13	Ideological/Single-Issue
58	50	TX Electric Co-Op	\$625,001	8	Energy/Natural Resources
59	63	American Cancer Society	\$625,000	11	Ideological/Single-Issue
60	1296	FPL Energy	\$620,000	8	Energy/Natural Resources
61	9	Baker Botts	\$610,002	5	Lawyers/Lobbyists
62	51	San Antonio Water System	\$610,000	8	Ideological/Single-Issue
63	*	ACE Constructors	\$600,000	3	Construction
63	45	Cash America International	\$600,000	7	Finance
63	*	National Lloyds Insurance Co.	\$600,000	6	Insurance
63	719	TX Assn for Interior Design	\$600,000	6	Miscellaneous Business
67	280	Wholesale Beer Distributors of TX	\$585,000	9	Miscellaneous Business
68	70	Vinson & Elkins	\$570,001	11	Lawyers/Lobbyists
69	94	City of Laredo	\$560,001	6	Ideological/Single-Issue
70	201	PacifiCare	\$560,000	11	Health
70	1184	Silverleaf Resorts, Inc.	\$560,000	8	Miscellaneous Business
72	*	Texans for Civil Justice	\$550,001	4	Ideological/Single-Issue
73	77	Waste Management, Inc.	\$550,000	5	Energy/Natural Resources
74	60	TX Ophthalmological Assn	\$535,000	7	Health
75	31	Alliance of Auto. Manufacturers	\$525,000	6	Transportation
75	31	TX Dept Public Safety Officers Assn	\$525,000	6	Labor
77	63	El Paso Electric Co.	\$520,000	6	Energy/Natural Resources
77	284	Lyondell Chemical Co.	\$520,000	10	Energy/Natural Resources
77	131	State National Co's	\$520,000	9	Insurance
77	85	Shell Oil	\$520,000	17	Energy/Natural Resources
81	132	Locke Liddell & Sapp	\$510,001	5	Lawyers/Lobbyists
82	180	American Insurance Assn	\$510,000	12	Insurance
83	1386	Alabama-Coushatta Tribe of TX	\$505,000	12	Ideological/Single-Issue
84	94	Bryan Eppstein & Co.	\$500,000	5	Lawyers/Lobbyists
84	*	Coalition for MSD Legislation	\$500,000	3	Energy/Natural Resources
84	*	Consumer Choice in Auto. Repair	\$500,000	5	Transportation
84	*	Explore Information Services, LLC	\$500,000	5	Electronics
84	54	Fidelity Management Research	\$500,000	5	Finance
84	*	Higher Education Servicing Corp.	\$500,000	5	Finance
84	*	McKesson Corp.	\$500,000	5	Health
84	94	McLane Co. (Wal-Mart subsidiary)	\$500,000	5	Transportation
84	*	Rio Grande Valley Partnership	\$500,000	5	Miscellaneous Business
84	77	TX Business Law Foundation	\$500,000	3	Lawyers/Lobbyists
84	643	TGF Management Corp.	\$500,000	5	Finance
95	26	Aluminum Co of America (ALCOA)	\$495,000	15	Energy/Natural Resources
96	88	Amusement/Music Operators of TX	\$480,000	10	Miscellaneous Business
96	*	Kraft Foods North America	\$480,000	10	Miscellaneous Business
96	73	TX Farm Bureau Mutual Insurance	\$480,000	12	Insurance
99	38	Outdoor Advertising Assn of TX	\$475,000	9	Communications
100	129	Dell Computer Corp.	\$470,000	10	Electronics

* No lobby contracts registered in 2001.