

# Capital gains



ERICH SCHLEGEL/Staff Photographer

Industries are turning away from trade associations toward freelance lobbyists such as Dean and Andrea McWilliams.

## Austin's top lobbyists expect booming business this year

### TOP LOBBYISTS



**RUSSELL T. "RUSTY" KELLEY**  
 Managing director, Public Strategies Inc.; former aide to House Speaker Billy Clayton  
**Earnings:** \$1.99 million-\$3.82 million  
**Big Clients:** Outdoor Advertising Association, Hillwood Development

R. Kelley

**ANDREA McWILLIAMS**

Former aide to Rep. Steve Wolens, D-Dallas  
**Earnings:** \$1.31 million-\$2.7 million  
**Big Clients:** Stockton Hicks Laffey, Hughes Network Systems

**DEAN R. McWILLIAMS**

Former aide to Sen. Michael Galloway, R-The Woodlands  
**Earnings:** \$1.16 million-\$2.4 million  
**Big Clients:** Kickapoo Traditional Tribe, Advance PCS



**MACHREE GARRETT GIBSON**  
 Former assistant secretary of state; former aide to Gov. Ann Richards  
**Earnings:** \$1.1 million-\$2.3 million  
**Big Clients:** MEC Lone Star, Association of Electric Companies

M. Garrett Gibson

**NEALT JONES**

Former Democratic representative from Hillsboro; former chief of staff for House Speaker Gib Lewis  
**Earnings:** \$1.02 million-\$2.18 million



N. Jones

**Big Clients:** Alcoa; South Padre Island Economic Development Corp.

**STAN SCHLUETER**

Former Democratic state representative from Killeen  
**Earnings:** \$1.2 million-\$2.1 million

**Big Clients:** Affiliated Computer Services; Altria Group

**BRIAN G. YARBROUGH**

Works with Randall Erben  
**Earnings:** \$1.02 million-\$2.01 million  
**Big Clients:** City of Austin; Dell

**RANDALL H. ERBEN**

Former assistant secretary of state; headed Texas state office in Washington  
**Earnings:** \$1 million-\$1.99 million  
**Big Clients:** Amarillo Economic Development Corp.; Hillwood Development

**W. JAMES JONAS**

San Antonio lawyer  
**Earnings:** \$1.35 million-\$1.92 million  
**Big Clients:** Person Education; SBC Communications

**PAMELA M. GIBLIN**

Environmental lawyer; former Texas Air Control Board general counsel  
**Earnings:** \$895,000-\$1.71 million  
**Big Clients:** Baker Botts; Pilgrim's Pride

SOURCE: Texas Ethics Commission data; Dallas Morning News data analysis

By **VIKAS BAJAJ**  
 Staff Writer

If odd years are to Austin's lobbying firms what Christmas is to retailers, Santa Claus is expected to deliver a bonanza in 2005.

Political experts predict a banner year for the profession in Austin, where the 79th Legislature will open a session stacked with business issues today.

Increasingly a big business in its own right, the lobby is expected to surpass its previous record haul in 2003, when con-

**Telecom advocates gear up. 10D**

tracts totaled up to \$275 million, lobbyists and public interest groups say.

The Legislature's 2005 business buffet includes taxes, telecommunications, workers compensation, alcohol regulations, professional licensing and asbestos litigation.

"In terms of tax policy, the sky is the limit," said Andrew Wheat, research director for Texans for Public Justice.

Legislative leaders are considering raising money for schools by replacing the current franchise tax, which doesn't apply to service companies and professionals, with a broader business tax. That debate is considered a boon for lobbyists.

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# Austin lobbyists are predicting a boom

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There is also a laundry list of smaller opportunities, said Jack Gullahorn, a former top lobbyist. This session, 30 agencies that regulate businesses are up for review under the state's sunset law, and lawmakers will decide whether they should be changed — or closed.

Of the 30 agencies, 17 are licensing bodies for a range of professions from midwifery to barbering. And 13 are major agencies such as the Texas Alcoholic Beverage Commission and the Public Utility Commission. Each is expected to field teams of lobbyists to defend its interests.

"Taking a lot of these opportunity issues and spinning them out, all of sudden you come up with a lot of potential fights that blow out people's radar screens," said Mr. Gullahorn, who is now president of the Professional Advocacy Association of Texas, a trade group for lobbyists.

## Growing diversity

Who are Austin's top lobbyists? Typically, they are men, though many more women are joining the profession. They are mostly white, but minorities, particularly Hispanics, are gaining ground. Most have usually spent time at the Capitol as politicians, as legislative aides or in other government posts.

All lobbyists who directly contact lawmakers must disclose to the Texas Ethics Commission whom they are working for and how much they're paid. Earnings are reported in two columns: minimum and maximum.

The registration data is imperfect. Some lobbyists say it overestimates their earnings because multiple members of a firm may report the total value of each contract.

"I certainly don't make \$2.29 million, or I wouldn't be so worried about college tuition," said Machree Garrett Gibson, a lobbyist at the Graydon Group LLC, who says her earnings are overstated in public filings.

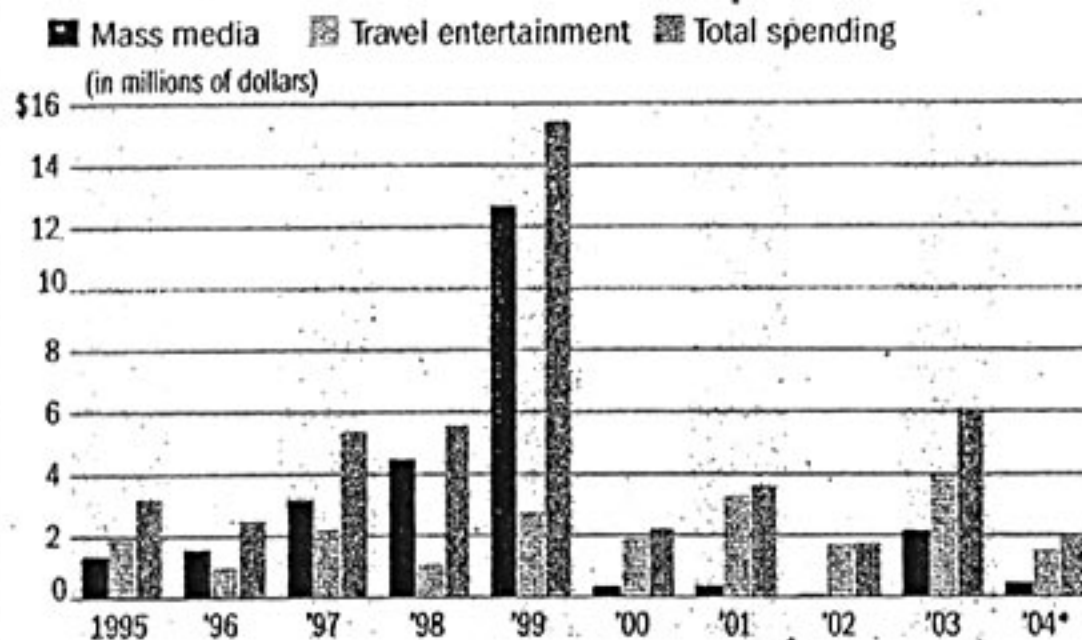
(In November, the Ethics Commission ruled that the value of shared contracts must be divided and gave lobbyists until Monday to correct past mistakes.)

But public interest groups say many contracts are underreported because lobbyists don't disclose money they earn from consulting work that doesn't involve contact with lawmakers.

"People who should be report-

## BUSINESS BLITZ

Lobbyists spend millions of dollars each year on advertising and entertaining state officials. Mass media spending during a non-session year was at its highest level in 2004 since 1998.



\*Data doesn't include December figures. SOURCES: Texas Ethics Commission data; Dallas Morning News data analysis

BETSY BOCK/Staff Artist

ing lobby contracts are not reporting them," Mr. Wheat said.

But still, lobbyists and other Austin-watchers say contract data is the best way to identify top lobbyists, the biggest clients and trends. *The Dallas Morning News* analyzed data for 2004. Information from prior years comes from Texans for Public Justice.

In 2004, a year when the Legislature had a special session on school finance, 1,421 lobbyists earned between \$107 million and \$221 million representing 2,138 clients. That was up from a range of \$90 million to \$188 million spent by 1,827 businesses in 2002.

## Interest from businesses

Lobbyists say more executives are now engaged in Texas' public policy because of the size of its economy and the state's role as a trendsetter on legislation such as tort reform.

"The business community in Texas and all over the nation really understand that stakes are higher in Texas than in most other states," said Andrea McWilliams, the state's second-biggest

lobby earner in 2004. The list includes these top earners:

■ Russell T. "Rusty" Kelley, managing director of Austin-based Public Strategies Inc., tops the pack. One of the longest serving and most successful of the modern-day lobbyists, he speaks softly and calls himself an "introvert."

■ The wife-husband team of Andrea and Dean McWilliams take the second and third slots. Former aides to Democratic and

Republican lawmakers respectively, the duo effectively works both sides of the aisle.

■ No. 5 Neal T. "Buddy" Jones and his partner Bill Miller are building a budding empire of seasoned "hired-gun" lobbyists and younger industry specialists at HillCo Partners.

■ W. James Jonas is striking out on his own after leaving a partnership at San Antonio law firm Loeffler, Tuggey, Pauerstein, Rosenthal LLP. Ranked ninth last year, Mr. Jonas lobbies in Washington and Austin.

## Guard changing

The state's top lobbyists generally work for 20 to 60 clients at a time. They tend to be indefatigable generalists who have close relationships with important politicians. The best are patient, accepting smaller losses in one session so they can return to clinch big victories in two years.

"The most influential thing that anyone can do is communicate and the more one communicates, the more one is likely to provide messages and information that resonates," Mr. Jonas said.

About 15 years ago, these freelancers displaced the heads of trade associations for industries such as railroads as the most influential lobbyists. Trade groups still exert great influence but often do so by building coalitions of lobbyists to address specific issues such as changing workers compensation laws, said John Fainter, president of the Association of Electric Companies of Texas.

Another major change involves how lobbyists curry favor.

"The old backslapping and bar-room lobbying went away about 15 years ago," Mr. Kelley said. "Lobbyists are more in the role of true advocates rather than just trying to peddle influence."

Ms. Gibson said instead hunting or late-night drinking sessions, she invites lawmakers to have dinner with her family. "They want a home-cooked meal, and

they miss their families," she said.

But don't think lobbyists, and lawmakers, aren't having fun anymore. Reports filed with the Ethics Commission show that the lobby lavished \$4 million worth of food, travel and gifts on government officials and their families in 2003. That's up from \$1.8 million in 1995 and \$3.3 million in 2001.

"There are still relics of the old guard in this business," Mrs. McWilliams said.

But a newer generation is rising, Mr. Jones said. For instance, he is hiring a crop of diverse and younger industry specialists that can dazzle lawmakers with sophisticated policy analysis in addition

to fine bourbon.

Mr. Jones, who remade himself from lawmaker to legislative aide to prominent lobbyist in the 1980s, should know what a shifting wind feels like.

"The picture in the dictionary next to the word lobbyist is not going to be a solo photograph of a middle-aged white guy like me," he said. "It's going to be a group picture and in it you will see ... women, minorities, some people like me, Democrats and Republicans."

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## WHO SPENDS THE MOST

SBC Communications led spending on lobbying in Texas in 2004, according to Texas Ethics Commission filings. Other big spenders included energy and medical groups.

Organization	Category	Lobbyists	Spending*
SBC Communications	Telecom	102	\$3.91 million - \$7.25 million
Association of Electric Companies of Texas	Energy	28	\$1.02 million - \$2.04 million
EDS	Computer services	11	\$1.25 million - \$1.71 million
Texas Medical Association	Medicine	24	\$985,000 - \$1.68 million
Verizon Communications	Telecom	14	\$710,000 - \$1.61 million
TXU	Energy	50	\$680,000 - \$1.58 million
Texas Municipal League	Government	15	\$770,000 - \$1.4 million
Linebarger Goggan Blair & Sampson LLP	Law firm	40	\$570,000 - \$1.39 million
CenterPoint Energy	Energy	18	\$660,000 - \$1.31 million
Texas Hospital Association	Medicine	21	\$635,000 - \$1.29 million

\*Instead of reporting exact figures, lobbyists list their leanings within a range — minimum and maximum. SOURCES: Texas Ethics Commission data; Dallas Morning News data analysis

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