

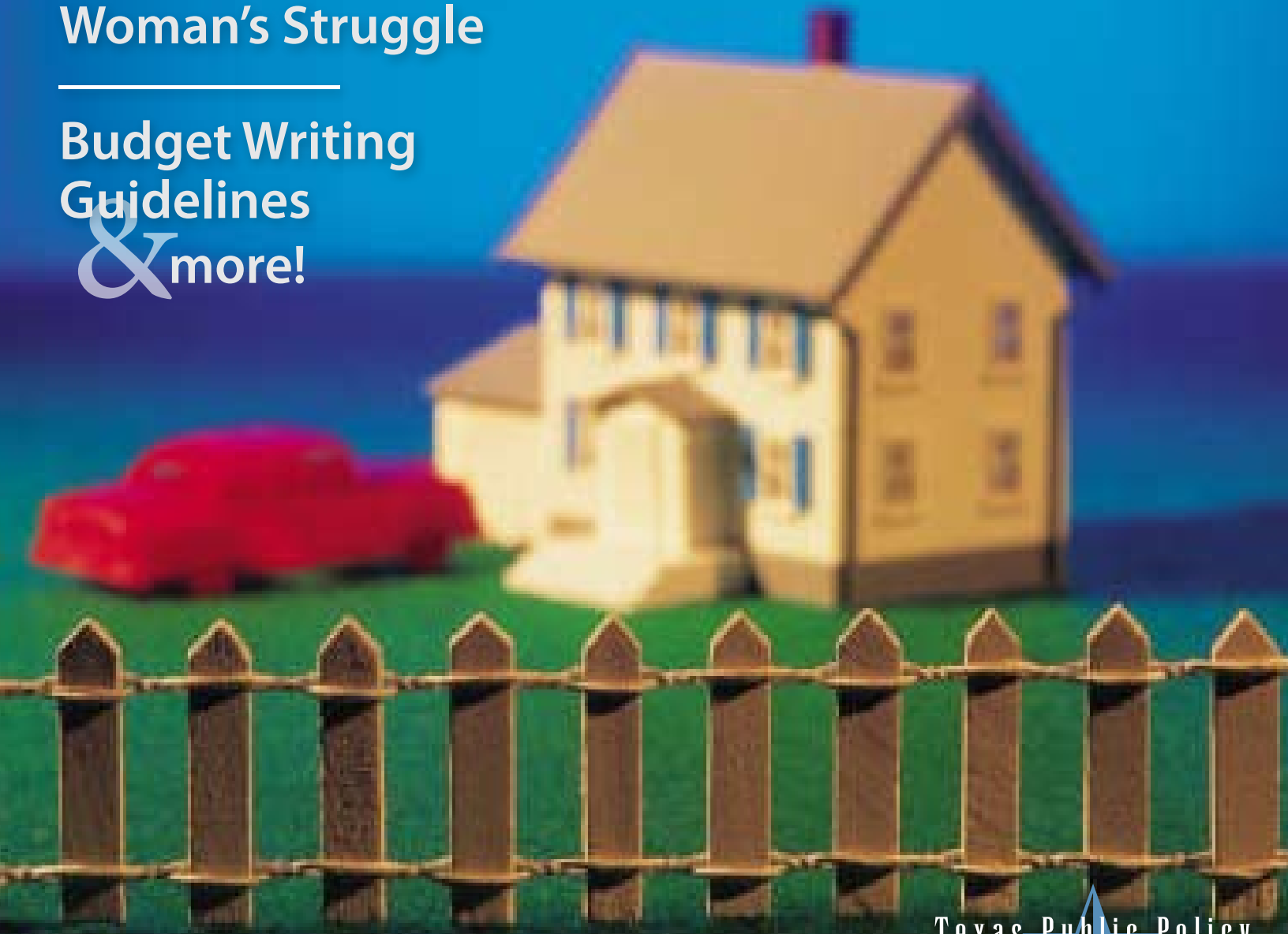
Veritas

A PUBLICATION OF THE TEXAS PUBLIC POLICY FOUNDATION

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Message From the President

Celebrating 20 Years as the Voice of Liberty

As we turned the calendar to 2009, the Foundation entered its 20th year as the leading voice for freedom and liberty in Texas. Already, 2009 has seen a flurry of activity at the Foundation and in the policy arena of the 81st session of the Texas Legislature.

With barely enough time to catch our breath after the hustle and bustle of the holiday season, our staff was hard at work to bring the 7th Annual Policy Orientation for the Texas Legislature to policymakers, media, and the public, hosting a record crowd for two days of public policy debate at the beautiful Four Seasons Hotel in Austin. We were honored to bring some of the highest caliber experts to the Capital City to address the most pressing issues facing the 81st legislature. Speakers, including Dr. Arthur Laffer (better known as the Father of Supply-Side Economics), Gov. Rick Perry, Lt. Gov. David Dewhurst, and former U.S. Congressman Barry Goldwater Jr., informed and enlightened the sold-out audiences in between targeted policy discussions with policymakers and experts from across the country.

The Foundation was also busy during the 18-month interim preparing for the 81st meeting of the Texas Legislature. Our comprehensive outreach efforts included: publishing and distributing 109 research publications, appearing on more than 100 television and radio stations, being cited in more than 870 print and online articles, and taking our message straight to the Capitol—testifying 26 times before leading committees and conducting more than 700 meetings with legislators and their staff to discuss some of today's most important issues.

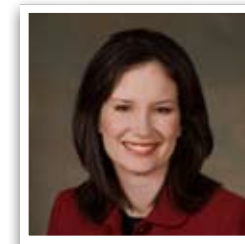
Indeed, the 81st session is now in full swing, with more than 7,100 bills filed before the March 13 deadline—a 21 percent increase over last session's all-time record. While those numbers would indicate that some of our legislators see a need for more intrusive and expansive government, the Texas Public Policy Foundation continues to call for limited government in our state's grand tradition.

In typical Foundation tradition, we are actively engaged in two of this session's highest-profile debates: whether to accept the federal stimulus funds (and the attached strings) for unemployment insurance, and whether to allow metropolitan regions to impose massive local transportation taxes. While these may seem esoteric on first read, they go to the core of our state's commitment to fiscal responsibility and a vibrant private sector. We are also involved on other important topics, ranging from educational quality and competition to consumer issues, energy policy, criminal justice, and health care.

Core issues such as these—preserving liberty and freedom that have been fought for so diligently by our Founders—are what have kept the Foundation going for the past 20 years. As we celebrate this incredible milestone, we are grateful to our founding members. If not for the handful of San Antonio visionaries that believed in their principles and the idea that the fight for freedom and liberty is unending, we would not be where we are today—a strong voice of liberty for this generation and those to come.

We are grateful to those that came before us and to those of you that have also joined the fight as great defenders of liberty and freedom. Together, we will continue to build a stronger, more prosperous Texas through conservative principles that have stood the test of time and will continue to see us into a brighter future for Texas.

Sincerely,



Brooke Rollins, President & CEO

One Woman's Struggle: *The Story of Susette Kelo and the State of Property Rights in Texas*

By Chris Robertson & Bill Peacock, Center for Economic Freedom



Susette Kelo stands outside her home in New London.

Susette Kelo was the lead plaintiff in the *Kelo v. City of New London* case in which the United States Supreme Court ruled that her home and her property could be taken for the economic development schemes of the city of New London. Featured at the Foundation's 7th Annual Policy Orientation for the Texas Legislature, Susette explained the ordeal by which the city forced her and her neighbors out of their homes in order to comply with the wishes of the New London Development Corporation (NLDC).

During the opening session of Policy Orientation, Susette told the story of how she had dreamed of owning property near the water and had been looking for a house for some time. One Saturday, while she was on shift as a volunteer paramedic, she passed a house for sale on a hill with an amazing view of the Thames River. At the time, Susette explained, the property was overgrown and the house was in need of great repairs. She told her coworker, "I think I'd like to buy that house." When he asked her if she was crazy, she replied, "No. I'm serious."

Almost a year later, the house became her home and she went to work making minor repairs and getting the property in order.

Unfortunately for Susette, her dream of living in a river-side house was cut short a year later in 1998 when the City of New London determined that Susette's property, and the properties of almost 80 other neighborhood residents, could be put to "better" use. The city's ultimate justification was that a large, private company had the potential to bring in more tax revenues than the local residents and property owners.

Eminent domain, when wielded by governments on behalf of private developers, is one of the most sweeping and destructive powers waged against private property owners. While eminent domain has a legitimate place in building schools or roads, for example, citizens as well

as government must recognize that it also has the potential for abuse. After the Supreme Court handed down the *Kelo* decision, every home and property owner in the United States became less secure in their right to private ownership and control of their land.

Dana Berliner of the Institute for Justice, one of the chief litigators in the *Kelo* case, points to the fact that, in the five-year period preceding the *Kelo* decision, more than 10,000 properties in the U.S. had been taken or threatened by eminent domain for the use of private development purposes. Following the Court's decision, it is likely that this process has accelerated in many states. However, 43 states have stepped in and passed laws that provide at least some protection against the Supreme Court's decision.

In 2005, Texas was one of the first states to spearhead the process of curbing eminent domain abuse with the passing of Senate Bill 7. Unfortunately, many loopholes still existed which prompted the Legislature to reexamine the issue again in 2007. House Bill 2006, passed by the Legislature, would have defined "public use" in order to protect Texans from the same fate that Susette and her neighbors faced. However, the veto of this bill, along with the failure to pass House Bill 3057 last session, has left much more to be done to protect Texas property owners.

The threat of eminent domain still lingers in Texas. One of the most visible examples of this can be seen in the city of El Paso. The city has a downtown redevelopment plan which would allow it to seize more than 100 acres of property in and near downtown El Paso and turn it over to a private group of developers. Without action by the Legislature, the city stands ready to move ahead with their plans to replace existing businesses and structures with luxury condos and upscale retail stores. As Ms. Berliner put it, now is not the time for cities to be destroying existing businesses to promote pie-in-the-sky development projects that might not even succeed.

Marvin Rosenbaum, a property owner and resident of El Paso, stated that the city has basically said, "whoever doesn't want to sell to the city will be taken over with the hammer of eminent domain." He was shocked that "the city would agree to fight against its own citizens to take over their property." Although the city of El Paso has yet to use the power of eminent domain, the threat itself is still enough to scare local citizens and stifle any chance for private economic development in the downtown area.

Nobel-prize winning economist Friedrich August von Hayek once wrote that the question is not whether planning will be done, but whether planning will be done by a centralized government body or by numerous private individuals coordinated through the market. When there is a constant threat looming over a person's head that her property will be forcibly taken, it will dramatically decrease that person's incentives to preserve or improve her property. Ironically, a redevelopment plan using the threat of eminent domain actually becomes a self-fulfilling prophecy that brings about the exact blighted conditions that city planners use to justify their actions.

Residents of the El Segundo Barrio, a neighborhood in El Paso, know what it is like to be up against central planners and powerful, well-connected, private developers. Their plight is part of a systematic pattern of cities using the threat of eminent domain to intimidate weak or elderly residents into selling their homes. Susette Kelo explained that, "the elderly [in Fort Trumball], out of fear, folded quite quickly. They tried at first to fight, but they didn't think there was anything they could do." Others, she described, were threatened by city officials that social services would take their children away if they didn't comply with the city's demand that they sell their properties.

In order to stop the ongoing abuse of eminent domain in Texas, the meaning of public use needs to be clearly defined by the legislature. This would put an end to the current practice of allowing eminent domain to be used for what has become known as public purpose or benefit—in other words, to create more revenue for local governments. There also needs to be a ban on

takings that are not for a public use. While one might think this is redundant since the U.S. and Texas constitutions already contain such a prohibition, *Kelo* shows us that this can't be stated too many times.

The state also needs to provide easier access to the courts for citizens whose property is being taken by making sure that, just because a city says that a project is needed for a public use, the courts don't automatically agree. Additionally, there should be a five-year limit to use property taken by eminent domain—if it isn't needed within five years, it should not be taken.

Susette's fight to keep her home showed her grit and determination. Though she did lose her property, her perseverance meant that she didn't lose her home. It was moved board by board and established as a historic landmark on property in New London donated by a friend. Not wanting any part of the city after her ordeal, she found another little house on a hill just on the other side of the Thames River from her old house. In fact, she can still see her old neighborhood from her new front porch. Though she is happy in her new home, she is still a little sad to see that, a decade after New London began its grand redevelopment scheme for which her property was so desperately needed, the entire neighborhood stands empty except for weeds, litter, and rubble.★

Bill Peacock and Chris Robertson are policy analysts in the Center for Economic Freedom. See all of their publications and commentaries at: www.TexasPolicy.com.

From the Dome: House Speaker Joe Straus

By David Guenther, Director of Media & Government Relations



Joe Straus of San Antonio is sworn in as Speaker of the Texas House of Representatives on January 13, 2009.

In January, Barack Obama was sworn in as President of the United States, a mere four years after his election to the United States Senate. Obama's inauguration capped off one of the most prodigious rises in American political history.

But Obama wasn't this year's only fast riser. Closer to home, the Texas House of Representatives replaced three-term Speaker (and 40-year incumbent) Tom Craddick of Midland with San Antonio's Joe Straus, who at the time had served less than two full terms in the House.

A foreshadowing of Straus' dramatic ascension came in February 2008, when he was featured in *Texas Monthly's* cover story, "35 People Who Will Shape Our Future."

The magazine's assessment: "Genial and pragmatic, he's a proponent of low taxes, economic growth, and other totems of fiscal conservatism...and he's all for lowering the level of anger at the Capitol. He's also one of the rare pols who see their time in office as public service."

In an exclusive interview with *Veritas*, Straus said that his worldview was shaped heavily by his parents—long-time fixtures in San Antonio Republican politics—and his

internship in the office of the late U.S. Senator John Tower. But as with many conservatives of his generation, the late William F. Buckley was another key influence.

"I remember watching *Firing Line* on PBS... and I subscribed to *National Review* when I was a young man," Straus said. "So I guess I was sort of indoctrinated into conservative and Republican causes."

Straus described his initial decision to run for the Legislature as "pretty rash." Shortly after the 2004 general election, Gov. Rick Perry tapped then-Rep. Elizabeth Ames Jones for a vacancy on the Texas Railroad Commission, setting up a short-trigger special election for her district in early February.

"When this opportunity came up, I didn't exactly jump at it," he recalled. "I remember making some phone calls to other people who I thought would be qualified and might be interested. But when I found out that they weren't running, I said, 'Well, you know, this is an opportunity that might not appear again.' And the timing was relatively good for me and my family then."

"It wasn't planned and it wasn't something I had contemplated. I was 45 years old. Any thoughts earlier in my life or career about running for public office, I had pretty well put behind me."

During the 80th Texas Legislature, Straus was a member of the House Regulated Industries Committee, which handled legislation pertaining to Texas electricity and telecommunications. In that capacity, Straus was the lead author of House Bill 735, the bill that finally abolished the Telecommunications Infrastructure Fund tax, saving Texas consumers more than \$200 million per year.

"I was guilty, I have to admit, during the [2005] budget debate, when the issue of the TIF tax living on and Texas government breaking its promises to taxpayers was raised," he said. "And I was told that in order to make the budget balance, we need to have that revenue, so forget about it. And I went along with it."

"I think it's still the fourth largest tax cut in Texas history," Straus said. "But beyond just the dollars and cents of it, it's the keeping faith with taxpayers part of it that I felt the best about. When government makes a promise that a program is going to end at a certain date or after certain goals are met and then we ignore it, that just creates an atmosphere where people don't trust their government about anything that we tell them."



Speaker Straus is the presiding officer over the 81st Texas Legislature after serving less than two full terms as State Representative from San Antonio.

"And I remember leaving the House floor that night ... most votes are judgment calls that some of them are kind of close. Well, that one wasn't close. I knew that I had done the wrong thing, and I knew the House had done the wrong thing, and the Senate as well. And when I left [the House floor] that night, I was determined that would be my number one priority coming back if I came back in 2007."

Bill Peacock, Director of the Foundation's Center for Economic Freedom, said that repealing the TIF tax was one of the Foundation's top legislative priorities that session.

"Though the TIF tax had once been used to build out telecom facilities in public schools and colleges, by 2007, it was being used for whatever the budget writers wanted to use it for," Peacock said. "Rep. Straus filed the bill to eliminate the TIF tax and moved it easily through the House, then helped to work the bill through the more complicated Senate process. Thanks to Straus' efforts, Texas consumers get to keep the 1.25 percent of their phone bill that used to go to Austin."

Looking at the current legislative session, Straus said the recently passed federal stimulus package was a major concern of his.

"I remember watching *Firing Line* on PBS... and I subscribed to *National Review* when I was a young man. So I guess I was sort of indoctrinated into conservative and Republican causes."

"I'm afraid that federal policies may make what we do in Texas less important in terms of economic development and job growth," he said. "I've been very disappointed with the new administration and the new Congress."

"Rather than passing a stimulus package of enormous proportions which grows government spending and does little in terms of private sector job growth for the long term, I would have preferred that they cut corporate tax rates, that they would have maybe taken a hard look at eliminating capital gains taxes, that they perhaps should have made it easier for U.S. companies to repatriate foreign profits without being burdened with large taxes. Those kind of things, I think, would have been a much stronger stimulus package than this printing money and sending it out to the states."

Justin Keener, the Foundation's Vice President of Policy and Communications, said that TPPF has opened a solid line of communications with Straus' office and is already working with his staff on matters affecting the 2010-11 state budget.

"Speaker Straus has surrounded himself with capable professionals and we look forward to working together to advance our common goal of strengthening Texas' economy through limited government and free markets," Keener said. ★



David Guenther, Director of Media & Government Relations, talks with Speaker Straus in the Speaker's office.

"Genial and pragmatic, he's a proponent of low taxes, economic growth, and other totems of fiscal conservatism."

-Texas Monthly

A Common Sense Approach to Writing the Budget

By The Honorable Talmadge Heflin & James Quintero

“Common sense is the knack of seeing things as they are, and doing things as they ought to be done.” -Harriet Beecher Stowe



No one sitting around the kitchen table today needs to be told how important it is to stretch their dollars and pinch their pennies. It's just common sense.

With families cutting the fat out of their household budgets, it's not unreasonable to expect government to do the same. And to some extent, that's happening at the state level.

Just recently, the House and the Senate approved their versions of the state's 2010-11 budget. The House's version totaled \$178 billion, while the Senate's came in

slightly higher at \$182 billion.

Both versions of the budget stay within the projected population growth plus inflation measure; still, in these times of economic uncertainty growth in the budget must be viewed with a critical eye.

That's why the Foundation has teamed up with the Texas Conservative Coalition Research Institute, Texans for Fiscal Responsibility, Americans for Prosperity, the Texas Eagle Forum, the National Federation of Independent Business, Heritage Alliance, and the Free Market Foundation to create a budgeting blueprint for lawmakers.

The group's "Blueprint for an Effective Budget" puts forth a set of nine guidelines to show lawmakers how to draft a responsible budget—one that incorpo-

rates fiscal responsibility, promotes transparency and accountability, and advocates a common sense approach to government spending.

1 Limit the growth of state spending to no more than the sum of population growth plus inflation, or the growth in personal income, whichever is less.

Spending money is easy—we think to ourselves, "I need this" or "I deserve that" or "if I could just buy that I'd be so much better off." This kind of thinking often gets us into trouble; but it's not just you and me in danger of this type of thinking—government is too.

The problem is that when government overspends, all of us suffer financially through higher taxes and fees. Guarding against this is important, and one of the ways we can protect ourselves is with spending limits.

There are several types of spending limits in use today, but one of the most common holds the growth of state spending to the sum of population growth plus inflation—although there has been some recent concern that Washington's loose monetary policies may drive inflation skyward, necessitating a stipulation for the lesser of population plus inflation or personal income growth.

2 Prioritize state spending on the basis of constitutional mandates, followed by statutory requirements.

When you or I walk into a store, we do so with the knowledge that we don't have enough money to buy everything. Because our supply of money is limited, we have to separate the things we need from the things we would like to have and make our purchases accordingly.

Government is no different. It too must separate its needs (constitutional requirements) from its likes (state statutes) and prioritize its spending in such a way; to do otherwise would break the bank.

3 Return excess fee and tax revenue to those who paid them.

A surplus happens when government over-collects. Since the money doesn't belong to them, the only proper thing to do is to return the money back to those whom it does belong to: taxpayers. How does the state accomplish that?

Since the state does not have an income tax, mailing a check back to every taxpayer isn't practical. But, the state can still return the surplus with a buy-down mechanism (e.g., property taxes) or eliminate a tax for a specific amount of time (e.g., unemployment tax for businesses).

4 Limit the use of the Rainy Day Fund to either emergency tax relief or one-time emergency spending items.

As most people familiar with Texas government will tell you, money typically lying around at the Capitol isn't likely to be there for long! The danger here is that bigger government begets bigger government.

That's why guarding the "Rainy Day" fund is so critical—families can't afford to pay the tax bill for more government if legislators decide to use the funds for anything other than emergency items, such as disaster recovery.

5 Maintain a Rainy Day Fund balance of at least 5 percent of the general revenue and general revenue-dedicated funds spent in the 2010-11 budget.

Some of the funds in the "Rainy Day" fund should be used for tax relief and one-time emergency items, but beyond that, the state needs to hang on to its reserves given today's topsy-turvy world. Keeping 5 percent of the general budget on hand helps the state keep a good bond rating. But the state should not keep a balance too much above that level; those are funds that are more than the government needs and should be returned to the taxpayer.

6 Make it easy to identify and report government fraud and waste by posting all budgets, expenditures, contracts, and other relevant financial information online in a searchable and user-friendly format.

Transparency is fast becoming a catch phrase in state legislatures everywhere, and for good reason. The transparency measures in Texas have already proven their worth. Through the process of setting up and evaluating a transparency site, Comptroller Susan Combs was able to identify and change practices that have already saved the state about \$8 million. But the information available on the state's transparency site, while important and valuable, is a small fraction of the financial records that could help the public identify waste, fraud, and duplication in state services. Most of these records are already defined as "open records"—we just need them to be published where the public can find and review them rather than having to request them on a case-by-case basis.

7 Structure state agencies' performance measures to reflect outcomes rather than outputs.

The state's budget is full of various performance measures split into four categories: outcome, output, efficiency, and explanatory. From a true performance perspective, only outcomes and efficiency measures really matter. These are the only two that determine if taxpayers are gaining any real value from agency activity.

When looking at state agencies to determine what value taxpayers are getting, lawmakers should pay particular attention to outcomes—the actual results of a program or agency—to decide what kind of bang for the buck taxpayers are getting. A performance measure of paving X number of lane miles does little good for taxpayers if those lanes are in remote rural areas. Instead, the performance measure should be tied to reducing traffic congestion by X amount.



Justin Keener, Vice President of Policy & Communications at the Foundation, addresses a press conference on a "Blueprint for an Effective Budget" at the Capitol. Other participants included (from left): Peggy Venable, Americans for Prosperity-Texas; Michael Sullivan, Texans for Fiscal Responsibility; and Jonathan Saenz, Free Market Foundation.

continued >> page 10

8 Only fund programs that return a greater value to the taxpayer than they cost.

Governor Perry recently decided not to accept \$555 million in Unemployment Insurance (UI) stimulus funds.

On the surface, it's unthinkable to many people that the governor would reject such a large pot of money, especially in these difficult times. But beneath the veneer of "free money" lay only bad public policy and a nightmare for taxpayers.

According to the Texas Workforce Commission's projections, the additional benefits would cost taxpayers approximately \$750 million over a 10-year period, which would become a permanent tax hike on businesses.

By putting the cart before the horse, the \$555 million in UI stimulus funds

would provide short-term benefits at the expense of long-term growth.

Examples like this are everywhere in government, which is why legislators need to be sure that the programs they enact or choose to grow return a greater value to taxpayers than what's being put in.

9 Avoid duplication of services by focusing on programs not provided by local governments or the private sector.

There's an old saying about where government should and should not be that says: if it's in the Yellow Pages, government doesn't need to be doing it.

When government crowds out the private sector, people lose the chance to make a living, start a business, and be productive. Government should limit itself to only those things that the private sector either can't or won't do—

otherwise the free market suffers and people lose the opportunity to prosper.

No one knows how long the downturn will last or how deep it will go. Because of that, common sense would dictate that the Legislature pass a responsible budget that checks the growth of government and encourages a more robust private sector. Such a budget would allow taxpayers to keep more of their own money so that businesses would have more resources to invest in their operations and people, and families would have more resources to meet their personal needs. ★

The Honorable Talmadge Heflin & James Quintero are analysts in the Center for Fiscal Policy. See all of their publications at: www.TexasPolicy.com.

"Texas Water 101" Legislative Briefing

By Jace Yarbrough, Research Fellow, Center for Natural Resources

Texas is a state of vast water resources. With more than 191,000 river miles, 23 major basins, 9 major and 20 minor aquifers, 7 major and 4 minor bays and estuaries, and 2,125 miles of shoreline along the Gulf of Mexico, Texas is the leader in volume, diversity, and complexity of water reserves.

projected unmet demand was a voluntary redistribution of existing supply in which water rights would flow to water demand through a market system. However, uncertainty in the state's decision-making procedures have complicated the ability of water authorities, local governments, and the private sector to plan, finance, and implement water supply projects. For example, the state (through TCEQ) allocates surface water rights to specific volumes of water for beneficial uses stipulated by law, which means the state can revoke the water right if it is not used as stipulated. Couple this with nascent environmental flow standards recently adopted by TCEQ and the result is sticky. Does existing law require an environmental impact analysis that could result in the reduction of the original water right?

Water marketing, i.e., voluntary redistribution, functions only with well-defined property interests in water, legal clarity, and predictable administrative decisions. As a result, the water marketing solution to projected unmet demand, anticipated and supported by the Texas Legislature, has not emerged in Texas—with two notable exceptions. The Edwards Aquifer Authority and the Rio Grande Watermaster are worthy of emulation. Both systems were mandated by court rulings later codified with specificity, and property interests in water rights are clearly defined within their jurisdictions.

Kathleen concluded her presentation stressing that Texas water is a difficult and complex issue, primarily because of the huge effect that today's decisions have for the future. "The strategy we have is the best way, the Texas way, to solve this problem. Legal clarity is the answer to unresolved legal questions about water rights administration and is essential to the success of a ground-up, individual, and regional-driven solution."

The full PowerPoint and audio presentation is available on the Foundation's website at www.TexasPolicy.com.



Kathleen Hartnett White, Distinguished Fellow and Director of the Center for Natural Resources, gives a legislative briefing on Texas water policy.

In an attempt to bring some clarity to this complex issue, the Texas Public Policy Foundation hosted more than 70 legislative staff at the Capitol for "Texas Water 101," a briefing given by Kathleen Hartnett White, former chairman of the Texas Commission on Environmental Quality (TCEQ) and current Distinguished Senior Fellow in Residence and Director of the Center for Natural Resources at the Texas Public Policy Foundation. Kathleen provided an independent overview of how timely implementation of Texas regional and state water plans is affected by major water rights issues.

Kathleen began with some startling facts about the current state of Texas water demand and supply: Texas could be 85 percent short of demand in 2060 during a drought if existing supply is not increased by 27 percent, or nine million acre feet. In fact, shortages of over three million acre feet could occur as early as 2010 in a severe, extended drought in the Dallas-Fort Worth Metroplex. The initial strategy for overcoming

NEW! Federal Stimulus Transparency Section Launched on the Foundation's TexasBudgetSource.com

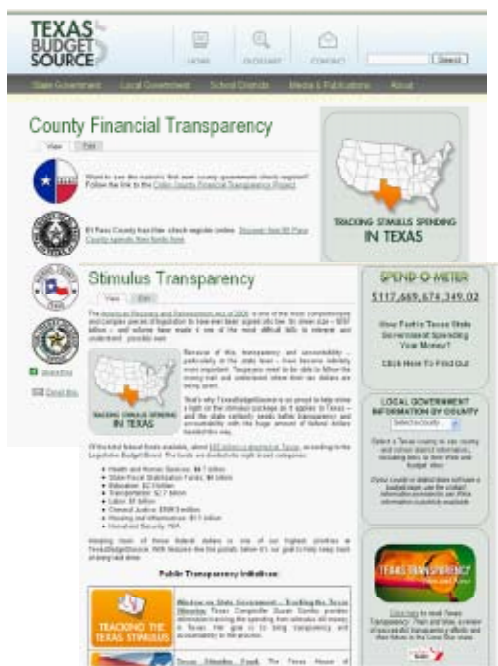
Sixteen billion dollars has been made available to Texas via the new federal stimulus package. Keeping track of all that money has quickly become one of our top concerns at *TexasBudgetSource*.

That's why we're proud to announce the launch of an all-new stimulus transparency resource: *Federal Stimulus Targeted for Texas*.

This new addition features a running list of stimulus transparency references so that you have access to the latest information on how Texas government is spending your hard-earned tax dollars.

"When taxpayers see where their tax dollars are going, it causes those spending the dollars to be a little more diligent, and it keeps them connected to reality a whole lot better." -Texas Governor Rick Perry

"Taxpayers deserve to know that the enormous amount of tax dollars contained in the economic stimulus plan is being used as intended—to put people to work, to help families impacted by the economic downturn, and to fund projects that will provide lasting economic benefits to Texas and the nation without causing unintended consequences." -Texas Comptroller Susan Combs



Visit TexasBudgetSource.com today!

7th Annual Policy Orientation

By Nancy Druart, Publications & Marketing Manager

Looking back on the 7th Annual Policy Orientation for the Texas Legislature—the state’s premier policy symposium—bringing policymakers, media, and the public together to examine public policy issues in the Lone Star State.

On January 22 and 23, 2009, the Foundation hosted the 7th Annual Policy Orientation for the Texas Legislature, featuring keynote speeches from Governor Rick Perry and Lt. Governor David Dewhurst, a special discussion on eminent domain, a lively debate on immigration policy, and breakout panel sessions discussing issues from taxes and spending to education, justice, transportation, water, and more. This year’s event drew 490 total attendees—55 of those being legislators—to the many keynote speeches and panel discussions throughout the two days.

Gov. Perry chose the Policy Orientation as the place to address the need



Governor Rick Perry speaks at a press conference on private property rights in Texas. The Foundation’s Bill Peacock, Director of the Center for Economic Freedom, and Susette Kelo, plaintiff in the infamous *Kelo v. New London* case, and others also spoke.

for an amendment to the state constitution to further protect private landowners from eminent domain abuses. At a packed early morning press conference preceding the kick off eminent domain panel discussion, Perry invoked the

name of Texas independence fighter Davy Crockett, proclaiming his support for Texans who are “justifiably fiercely committed to land ownership.” He said he wants to ensure fair property negotiations and a ban on the government seizing land for commercial development.

“Texas still has the best land,” Perry said, paraphrasing Crockett. “We’ve got to fight to protect the rights of folks who own it.” He added that he wants to cement into the Texas Constitution legislation passed in 2005 to protect against the taking of private land for economic development or private purposes.

The energy and passion from the press conference flowed over into the lead off panel discussion on eminent domain in Texas. The discussion, “Dreams of a Little Pink House—A Fight for Private Property Rights,” featured Susette Kelo, plaintiff in the infamous U.S.

Supreme Court case *Kelo v. New London*; Dana Berliner, senior attorney at the Institute for Justice; and Jeff Benedict, award-winning investigative journalist and best-selling author of *Little Pink House*.

Since the *Kelo* decision first caught the attention of the media and public in June 2005, Texas has fallen behind many other states in protecting property rights—unlike our national leadership role in tort reform and deregulation of the electricity market.

Some of the suggested reforms put forth by the panel included: 1) narrowly define public use and ban takings that are not for a public use; 2) eliminate the ability of governments to use blight designations as an end-run around the ban for takings for economic development purposes; and 3) end government land speculation by requiring that property not put to the public use for which it was taken within five years be offered for sale back to the original owner at the price the government paid for it. Only with these reforms will Texas resume its proper place as a leader in the protection of private property rights.

After a jam-packed morning session of panel discussions, the sold-out luncheon audience was treated to a lively debate on immigration policy between Mark Krikorian, executive director of the Center for Immigration Studies, and Dr. Arthur Laffer. Krikorian argued that immigration does create a net economic benefit for the whole society, but the benefit is small and comes from reducing the wages of the poor and “spreading the benefit a tenth of an inch thick across the rest of society.” The extra social costs, he continued, “swamp the very small economic benefits.”

Dr. Laffer took a different view, countering that immigrants are helping with a “scarcity of labor.” He explained that we need immigrants to do the jobs that U.S. citizens won’t do, and that because these jobs are low-paid, it gives Americans an incentive to move up the ladder. “What do we need as a society? Not high-income workers, but low-income workers.”

continued >> page 14

Top photo: Dr. Arthur Laffer takes part in a lively luncheon debate on immigration issues. **Middle (from left):** Representatives Geanie Morrison, Linda Harper-Brown, and Myra Crownover talk with Foundation Chairman Dr. Wendy Lee Gramm. **Bottom:** Lt. Governor David Dewhurst gives the dinner keynote on the opening day of the event.



From left: Steve Pociask, American Consumer Institute; Jim Oliver, Director, Texas Windstorm Insurance Association; State Rep. Ruth Jones McClendon; and State Rep. Carl Issett take part in a panel discussion on insurance policy.

Concluding the first busy day of policy discussions was a dinner keynote address by Texas Lt. Governor David Dewhurst. Senator Florence Shapiro made the introductory remarks, commenting on how Lt. Governor Dewhurst stands tall, not only physically but on the important issues facing all Texans.

Addressing the national economic situation in his remarks, Lt. Governor Dewhurst said, “We are all in this together,” adding, “but aren’t you proud to be called a Texan and live in Texas when you look at the rest of the country?”

Looking at the national landscape, he acknowledged, “In Texas we ought to be proud to be one of only six states in the black.” He attributed Texas’ relative economic health to having set up a fiscally conservative framework over the past six years and urged the Texas Legislature to continue to be fiscally responsible by holding onto as much of the Rainy Day Fund as possible and continuing to keep spending low.

The second day of the Policy Orientation opened with a VIP breakfast for legislators, event supporters, and their guests. Former U.S. Congressman Barry Goldwater Jr. delivered brief remarks to those gathered, telling of the importance for conservatives—now more than ever—to



Former U.S. Congressman Barry Goldwater Jr. addresses the VIP breakfast crowd, encouraging the audience to unite behind true conservative ideals.

unite around the basic conservative principles that the party was built upon.

Closing the event and speaking to a sold-out luncheon audience, Governor Rick Perry addressed more than 400 attendees in the crowded Four Seasons ballroom. Gov. Perry thanked the Texas Public Policy Foundation and the many visionary men and women who work tirelessly to develop big ideas that become public policy in Texas. He pointed to Texas as a shining example to other states in the nation of how sound, principled, and conservative ideas have kept Texas on the right course—a leader in economic growth and development.

He emphasized the importance of continuing the fight to keep taxes low, reduce spending, and increase individual self-reliance—principles that have always been a part of the Texas way.

The way to remain prosperous, he said, was by putting in place sensible ideas that, “reduce the crushing weight of government and increase freedom to innovate, expand reason to invest, and create incentives to inspire.”

However, he acknowledged that the current events in Washington are taking a toll on the future health and prosperity of our state and the nation. “Unfortunately, it would appear that the federal government is now steering the ship

WHAT THEY ARE SAYING

“When you think about the words ‘think tank’ you might picture a bunch of ... intellectuals... in a big aquarium. But, when I think about TPPF, I think of a different tank. I think about a big old Abrams running across the desert out there, blowing up bad ideas, taking things and targeting them, and really making a difference.”

-Texas Governor Rick Perry

of state toward ... runaway spending, unprecedented interference in market cycles, and a mountain of debt already blotting out the sunshine of our children’s future.”

In addition to those outstanding keynote speeches, 10 panels addressed some of the most pressing issues facing the state, featuring experts from Texas and around the country. Each of the panels, along with panelist PowerPoint presentations and all keynote speeches, are available on the Foundation’s website at www.TexasPolicy.com. Keynote speeches are also available through the end of the year on Time Warner Cable’s “Central Texas on Demand” channel.

The Annual Policy Orientation for the Texas Legislature has become the premier policy event of the year, drawing more than 70 lawmakers to this year’s program and 500 more legislative staff, citizens, and media coming to hear both sides of these important issues.

Planning for the 8th Annual Policy Orientation is already underway. Save the date for next year’s Policy Orientation, to be held at the AT&T Conference Center at the University of Texas-Austin on January 14 and 15, 2010. Make plans now to join us for one of the premier policy events in the country.★

Sponsorship opportunities are currently available for the 8th Annual Policy Orientation for the Texas Legislature. Contact Shari Hanrahan at 512.472.2700 or shanrahan@texaspolicy.com for more information.

Top photo: Gov. Perry greets the Honorable Arlene Wohlgenuth, Research Fellow at the Foundation (left), and State Rep. Myra Crownover. **Middle:** Foundation president Brooke Rollins welcomes the sold-out audience to the keynote luncheon. **Bottom:** State Rep. Bryan Hughes listens to Gov. Perry’s thoughts on the future of Texas’ economy and the importance of drawing a line in the sand and standing our ground on sound, conservative principles.



An Interview with Katharine Armstrong

By Sally Lay, Director of Development

On May 29, 2009, Katharine Armstrong and Karl Rove are kicking off efforts to endow the Texas Public Policy Foundation's Anne and Tobin Armstrong Center for Energy and the Environment at an event in Houston.

The Texas Public Policy Foundation is honored to serve as the voice for natural resources policy reform from a free market perspective, and is equally honored that the Armstrongs have chosen us to pay tribute to the heads of their family in this special way.

Katharine Armstrong talks one-on-one about growing up on the Armstrong Ranch, being the daughter of two of the most recognizable conservative leaders in Texas, and why her family is joining with the Foundation to create an endowment in her parents' honor.

Q: Why do you support the Texas Public Policy Foundation?

I support the Texas Public Policy Foundation because it is the premier public policy think tank in Texas and all Texans need an organization like TPPF to articulate well-founded conservative approaches to important policy challenges.

Q: Why did you choose TPPF to pay tribute to your parents?

TPPF is recognized by the smartest and most engaged people in Texas as being the group that produces well-researched policy guidance for our political leaders and for our citizens. They approach many challenges this state faces and



Katharine Armstrong, President of Katharine Armstrong, Inc., talks with the Foundation's Sally Lay.

help us who are involved in public life—through service in appointed offices, elected offices, or as everyday citizens—give a voice and find solutions to those things that we believe in. TPPF is an organization that helps citizens and elected officials grapple with challenges and provide the intellectual infrastructure that we all need. This is an essential part of the life of a vibrant state.

Q: Why is the Center for Energy and the Environment so important to Texas' future?

Texas is the ascendant state in my view. New York and California had their era, and I think in the future, Texas will be *the* premiere state. I say that with a little hesitation. There are a couple of "what-ifs." *If* Texas addresses its education challenges, *if* Texas meets its energy needs, and *if* Texas stays true to a course of freedom, then Texas will most definitely be *the* ascendant state. Outfits like the Texas Public Policy Foundation are one important piece of the overall solution for moving us forward into the future as the state that will lead our nation. I really do believe that Texas will be the most creative, the most energetic, and the most vibrant state in the Union for the next five decades. There has been a lot of work at TPPF that has been incredibly important to getting us where we are today, which has been a resounding success. Now we have to look to the future.

Q: What would you like others to know about the legacy of your parents?

My parents were first and foremost honorable people. You knew that they were good to their word. They believed strongly in public service and leaving their family, their country, and their state better than they received it. They believed strongly in individual responsibility, the boundless creativity of human beings, and they had a very healthy suspicion of big government. And they were fun!

Q: What was one of your favorite childhood memories?

Oh my gosh, I grew up right on the Armstrong Ranch. There are so many memories that I have of growing up at Armstrong with my brothers and sister and going to school on the ranch, and working on the ranch that it is hard to single out one memory. There is usually something happening every single day that brings something to mind. It's raining outside today and so many of my fondest memories center around rain. So much of the time in South Texas it is



Growing up on the Armstrong Ranch | Generations of Armstrong's together at the family ranch in South Texas | Anne & Tobin Armstrong

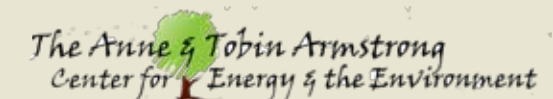
dry. That is the norm. The most magical moments in my memory center around those periods of time when we received inordinate amounts of rain, because then we had lakes to play in (at least for a while), we had puddles, we could fish, and do all these things—we don't have any rivers or streams, all the water at the Armstrong Ranch is seasonal and is fleeting. I remember one particular story that I always tell, and it truly is one of the most magical memories I have. Hurricane Beulah had dropped tremendous amounts of water on the Armstrong Ranch. It was so flooded that we could ride our horses straight out from the ranch headquarters and take a ride out over the shoulder-depth water, and swim the horses. We would take fishing poles out on the back of the horses and would fish right off the horses. That was a wonderful childhood memory.

My parents were very hands-on with us. We learned about policy at a grammar school level. From the time we were little babies, our dinner table conversations were pretty unique compared to a lot of our friends. We had lengthy and heated discussions about everything you could imagine. My earliest memories of when that happened were in the late Eisenhower Era. My parents would ask the five of us (in their pop-quiz fashion) who is the President of the United States, who is the Vice President, who is our Senator from Texas? And we had to answer. Our parents were very good about making the case for conservative values. As a result, all five of their children have a worldview that is very similar to my parents. I know my parents affected the lives of many younger people, not to mention people their own age. They had a profound impact on a lot of people's lives, and on their ideas. I think a center at the Texas Public Policy Foundation just could not be a better fit for Anne and Tobin Armstrong.

Q: What responsibilities do you carry as a member of the Armstrong family? What are you doing now to keep the word out there?

One of the things that my parents really believed in was private property rights and also they felt that private property rights, whether they be intellectual or real estate, a ranch, a farm, a house, an idea—is absolutely one of our most fundamental rights. I know my parents felt that way, and I certainly do. My passion has been how to affect responsible resource management—whether it be environmental, whether it be energy, whether it be water or air—by relying to the greatest extent possible on the creativity, imagination, and productivity of the private sector. My parents and I used to wring our hands because we all agreed that conservatives had not been able to find the right voice to articulate those principles of the free market and apply them to natural resource development. That is another reason I am so excited to have the Anne and Tobin Armstrong Center for Energy and the Environment at TPPF to encourage smart, young thinkers to start helping people like our governors, our senators, and our policymakers put into words the ideas, the fundamental philosophies that they have, and help them to express how those principles can apply to the area of natural resources, the environment, and energy, just as they do to any other area of life. We just haven't done a very good job so far and I think this will offer a big opportunity to find that voice. ★

For more information on the special event for the endowment of the Anne & Tobin Armstrong Center for Energy & the Environment, please contact Sally Lay at 512.472.2700 or slay@texaspolicy.com.



Lone Star Legacy Society



Freedom is never more than one generation away from extinction. We didn't pass it to our children in the bloodstream. It must be fought for, protected, and handed on for them to do the same.
 -President Ronald Reagan

Now is your opportunity to leave a legacy in Texas through your gift to the Texas Public Policy Foundation as a member of the Lone Star Legacy Society.

Wills or Living Trusts: A bequest made through your will or trust is completely free of estate tax. You can designate a specific dollar amount, specific piece of property, a percentage of your estate, or all or part of the residue of your estate. You can also name the Texas Public Policy Foundation as a contingent beneficiary if someone in your will is no longer living at the time of your passing.

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The Texas Public Policy Foundation is honored by individuals who place such value on the Foundation's work. With the support of the Lone Star Legacy Society, the Foundation will assure that future generations of Texans enjoy the same freedoms that we do today. Consider joining the Lone Star Legacy Society today! ★



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TPPF's Guenther honored with the 2009 Texas Social Media Award

Austin American-Statesman selects top 25 social media users in Texas

The Texas Public Policy Foundation is pleased to announce that David Guenther, its Director of Media and Government Relations, has been selected as one of the inaugural recipients of the Texas Social Media Awards.

"Communication technologies and techniques are changing rapidly," said Justin Keener, the Foundation's Vice President of Policy and Communications. "David has done a great job of finding new tools and incorporating them into our outreach programs so that we can share our message with more people. We are thrilled that he has received this well-deserved recognition."

Guenther is the host and producer of "Texas PolicyCast," the Foundation's weekly podcast. Texas PolicyCast was downloaded more than 220,000 times last year. He manages the Foundation's "Speaking Freely" blog and is a contributor to the site HoustonConservative.com.

During the last several months, Guenther has developed new programs for online reputation management and blog outreach, and has overseen the development of the Foundation's Facebook page. He has actively promoted the Foundation's research through Twitter and provided tutorials for legislators, activists, and other opinion leaders on how to use the service.

The Texas Social Media Awards are sponsored by the *Austin American-Statesman*. A panel at the *American-Statesman* selected the 25 winners from 125 nominees submitted by the readers of Statesman.com. Guenther received his award at a March 15th ceremony held at Ballet Austin. ★



Top photo: David Guenther and Texas Railroad Commissioner Michael Williams were two of the 2009 Texas Social Media Awards recipients.

Bottom: Guenther is interviewed by Heather Ann Havenwood for a video series on the Texas Social Media Award winners. This video series may be seen at www.AustinCast.com.



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