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OA/ID Number: 13874
Folder ID Number: 13874-010

Folder Title:
Texas Legislature, 4/26/89 [1]

Stack:	Row:	Section:	Shelf:	Position:
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FINAL

4/25
5:15pm

REMARKS: TEXAS STATE LEGISLATURE
CAPITOL, AUSTIN
APRIL 26, WED., 4:40 P.M.

((IT'S A GOOD THING THIS ISN'T BILL CLEMENTS' BIRTHDAY . . . FROM WHERE I'M STANDING, ANOTHER PLAID DAY IN THE TEXAS LEGISLATURE COULD BLIND A FELLA.))

IN ALL SINCERITY, HAPPY BELATED BIRTHDAY BILL . . . LIEUTENANT GOVERNOR BILL HOBBY, IT'S GREAT TO SEE YOU AGAIN. SPEAKER GIB LEWIS, DISTINGUISHED LEGISLATORS, FELLOW TEXANS, THANK YOU . . . I'M DELIGHTED TO BE BACK IN AUSTIN, WITH SO MANY FRIENDS . . .

I WILL WANT TO DISCUSS A FEW ISSUES FACING TEXAS AND ALL OF AMERICA. [[AGRICULTURE COMMISSIONER HIGHTOWER'S VIEWS TO THE CONTRARY,]] I AM A TEXAN.

SO LET US SAY A FEW WORDS ABOUT WHAT IT MEANS TO BE A TEXAN.

LIKE THE FORMER KINGDOM OF HAWAII, TEXAS IS A NATION THAT HAD TO RECONCILE ITSELF TO BEING A STATE. BUT, LIKE HAWAII, WE WILL NEVER RECONCILE OURSELVES TO BEING ORDINARY. FROM THE PECOS TO THE PEDERNALES, FROM THE RAPIDS OF THE RIO GRANDE TO THE BROAD EXPANSE OF THE MUDDY RED RIVER, <u>THERE IS NO PLACE ON EARTH LIKE TEXAS . . .</u>

NOR IS THERE ANOTHER CAPITOL IN AMERICA QUITE LIKE THIS ONE, BUILT OF A ROSE-TINGED GRANITE THAT BLUSHES IN A LOW SUN. AND, THIS BEING TEXAS, WE HAD TO BUILD A CAPITOL THAT IS EXACTLY ONE FOOT TALLER THAN THE ONE IN WASHINGTON. TEXAS CERTAINLY STANDS TALL IN THE HEART OF THIS PRESIDENT . . .

PERHAPS FOR THIS REASON, LARRY MCMURTRY IS ONE OF MY FAVORITE WRITERS.

IN LONESOME DOVE, HE DESCRIBES THE MYTHIC TEXAS, AND CONJURES THAT SENSE OF PLACE WE ALL KNOW SO WELL. I AM INSPIRED BY A MAN OF LETTERS WHO CAN CONVINCINGLY ADOPT THE VOICE OF COWBOYS AND OUTLAWS -- MEN WHOSE ONLY SCHOOLING WAS IN DODGING BULLETS, WHOSE ONLY LESSONS WERE IN HOW TO RUN OR RUSTLE CATTLE.

BUT, UNLIKE DAVY CROCKETT, I FIRST SET OUT FOR TEXAS NOT ON HORSEBACK FROM TENNESSEE, BUT FROM CONNECTICUT IN A RED STUDEBAKER IN JUNE, 1948.

MORE THAN FORTY YEARS LATER, THAT TRIP IS STILL A VIVID MEMORY -- HIGHWAY 80, A NEON PEARL BEER SIGN APPEARING IN THE DESERT TWILIGHT LIKE AN APPARITION. STOPPING AT A CAFE, I DIDN'T KNOW IF A CHICKEN FRIED STEAK WAS A CHICKEN FRIED LIKE A STEAK, OR A STEAK THAT TASTED LIKE CHICKEN . . .

STILL, BARBARA AND I SETTLED IN TEXAS, AS DID SO MANY BEFORE US. WE RAISED FIVE CHILDREN, HELPED BUILD A BUSINESS.

AND IN THAT SPAN OF FORTY YEARS, I WATCHED THIS STATE GROW INTO EVEN GREATER GLORY. IN MY LIFETIME I HAVE SEEN THE OIL WEALTH OF WEST TEXAS HELP FINANCE THE BUILDING OF GREAT CITIES, AND THE EXPANSION OF FIRST-CLASS LAND GRANT COLLEGES -- THE ORIGINS OF A TEXAS RENAISSANCE, IF YOU WILL. THE ENERGY BUSINESS HELPED MAKE TEXAS WHAT IT IS TODAY -- THE THIRD COAST OF THE UNITED STATES . . .

THIS TEXAS RENAISSANCE LASTED FOR YEARS, EVEN DECADES. BUT YOU ALSO KNOW ANOTHER MORE RECENT CHAPTER OF THE TEXAS STORY -- OIL CHEAPER THAN FANCY MINERAL WATER, SKYLINES OF EMPTY BUILDINGS, EXPENSIVE HOMES TO BE HAD FOR MONTHLY PAYMENTS, AND THOUSANDS OF LAID-OFF WORKERS.

NOW, I'M NO COWBOY. I PITCH HORSESHOES, BUT I DON'T RIDE BRONCOS.

BUT I UNDERSTAND THAT COWBOYS HAVE A TERM FOR THE MOST DANGEROUS AND CUNNING BRONCO OF ALL: THEY CALL IT A "SUNFISHER." THESE BRONCOS WILL REBEL AGAINST A RIDER BY ADOPTING A MOTION NOT UNLIKE THE SUNFISH OF THE GULF -- A FULL-FORCE LEAP INTO THE AIR, BACK ARCHED HIGH, FLANK TWISTING THE RIDER TO THE LEFT, HEAD AND UPPER TORSO TWISTING THE RIDER TO THE RIGHT, IN AN ATTEMPT TO TEAR HIM APART.

LET ME SUGGEST THAT IN THE LAST FEW YEARS, THE WHOLE STATE OF TEXAS FEELS LIKE IT HAS BEEN ON JUST SUCH A RIDE . . .

STRONG MEN AND WOMEN ARE CHALLENGED BY ADVERSITY. I BELIEVE TEXANS HAVE PROVEN THAT . . . THERE MAY BE A FEW MORE BUMPS AND BRUISES AHEAD. BUT MAKE NO MISTAKE, <u>TEXAS IS BACK IN THE SADDLE AGAIN.</u>

STATE UNEMPLOYMENT HAS DIPPED TO ITS LOWEST LEVEL IN FOUR YEARS, SIGNALING THE DIVERSIFICATION OF THE TEXAS ECONOMY. IN 1970, THE ENERGY SECTOR ACCOUNTED FOR NEARLY 25 PERCENT OF STATE OUTPUT. LAST YEAR, IT ACCOUNTED FOR ONLY 11.4 PERCENT. AND YET TEXAS HAS MORE THAN REGAINED THE 208,000 JOBS IT LOST FROM 1986 TO 1987, WITH EMPLOYMENT IN PLASTICS, AVIATION, ELECTRONICS, SPACE AND COMPUTER PROGRAMMING LEADING THE WAY.

MORE PEOPLE ARE AT WORK IN TEXAS TODAY THAN EVER BEFORE. THE DALLAS-FORT WORTH "METROPLEX" LEADS IN DEFENSE AND AVIATION TECHNOLOGY; HOUSTON IN SPACE AND BIOMEDICAL RESEARCH; AUSTIN, IN MICROELECTRONICS.

ANOTHER SIGN THAT TEXAS IS BECOMING A WORLD CENTER OF TECHNOLOGY IS THE SELECTION OF ELLIS COUNTY AS THE SITE OF THE SUPERCONDUCTING SUPER COLLIDER . . .

WHEN BUILT, THE SSC WILL ENABLE US TO STUDY ELEMENTAL PARTICLES WITH NAMES LIKE QUARKS, MESONS (MAY-SAHNS) AND NEUTRINOS. ((SOUNDS TO ME LIKE THE BREAKFAST CEREAL THE BUSH GRANDKIDS HAVE BEEN EATING.))

WELL, AS TOM LUCE, CHAIRMAN OF THE TEXAS NATIONAL RESEARCH LABORATORY COMMISSION SAID, WITH A LITTLE IMAGINATION, YOU CAN: "CONCLUDE THAT FUTURE RESEARCH IN THE FIELD OF HIGH ENERGY COULD SOME DAY HELP US CONQUER CANCER."

OR DISCOVER A WAY TO BOOST THE AMOUNT OF INFORMATION ON A MICROCHIP. OR ANSWER QUESTIONS THAT ELUDED EINSTEIN, GIVING US A GLIMPSE OF THE FORCES THAT BIND THE UNIVERSE TOGETHER. THE SSC IS A KEY TO UNDERSTANDING NATURE, AND TO DEVELOPING THE TECHNOLOGIES AND INDUSTRIES OF THE 21ST CENTURY. LET ME ASSURE YOU, I WILL BACK THE CONSTRUCTION OF THE SSC BECAUSE IT IS GOOD FOR AMERICA . . .

AND LET ME ALSO SALUTE YOU, THE MEMBERS OF THE TEXAS HOUSE AND SENATE, AND THE VOTERS OF THIS STATE, FOR HAVING THE VISION TO TAKE AN EARLY LEAD ON THIS PROJECT . . .

STILL, NO MATTER HOW DIVERSIFIED AND HIGH-TECH TEXAS BECOMES, A STRONG DOMESTIC ENERGY INDUSTRY IS IMPORTANT TO THE FUTURE OF THIS STATE AND ALL OF AMERICA. I FIND IT DISTURBING THAT NEARLY 50 PERCENT OF AMERICA'S OIL IS IMPORTED.

THIS IS NOT GOOD FOR OUR NATIONAL SECURITY.

SOME ARE QUESTIONING THE FUTURE OF AMERICA'S ENERGY PRODUCTION IN THE AFTERMATH OF THE WRECK OF THE EXXON VALDEZ OFF ALASKA. I AM AS CONCERNED AS YOU -- AND ALL AMERICANS -- ARE BY THE ENVIRONMENTAL TRAGEDY IN PRINCE WILLIAM SOUND. WE ARE USING FEDERAL RESOURCES INTELLIGENTLY IN THE CLEAN-UP EFFORT. WE ARE WORKING WITH INDUSTRY TO DEVELOP AN IMPROVED PLAN IN EVENT OF A FUTURE SPILL.

BUT SHUTTING DOWN OUR DOMESTIC ENERGY PRODUCTION IS NO ANSWER, AND WOULD MERELY INCREASE OUR DEPENDENCE ON FOREIGN OIL. <u>WE MUST, AND WE WILL, MAINTAIN A STRONG, DOMESTIC ENERGY INDUSTRY</u>.

TO REDUCE OUR DEPENDENCE ON FOREIGN OIL, WE MUST RETURN TO HIGH LEVELS OF EXPLORATORY DRILLING. I PROPOSE TO STIMULATE DOMESTIC DRILLING WITH TAX CREDITS AND OTHER INCENTIVES. WE NEED MORE RESEARCH TO LEARN HOW TO RECOVER MORE SECONDARY AND TERTIARY OIL.

AND I WANT TO DO SOMETHING ELSE. TEXAS HAS A 65-YEAR SUPPLY OF ONE OF THE CLEANEST FORMS OF ENERGY KNOWN TO MAN -- NATURAL GAS. I CALL ON CONGRESS, AT LONG LAST, TO FULLY DECONTROL NATURAL GAS . . . I BELIEVE THAT THIS WILL HAPPEN SOON.

WE NEED A NATIONAL ENERGY POLICY THAT RELIES NOT ONLY ON OIL, BUT ON MANY OTHER SOURCES. I BELIEVE WE CAN AND MUST USE MORE SAFE NUCLEAR POWER.

I BELIEVE THAT COAL HAS A BRIGHT FUTURE. YOU KNOW MY CONFIDENCE IN NATURAL GAS.

AS WE ALL BECOME INCREASINGLY CONCERNED ABOUT THE NEED FOR CLEAN AIR, WE MUST LOOK MORE TO NATURAL GAS AND TO NUCLEAR POWER. WE MUST PRODUCE MORE OF OUR CORN CROP TO PRODUCE ETHANOL, MORE OF OUR NATURAL GAS TO PRODUCE METHANOL . . . GREATER USE OF THESE TWO WILL RAPIDLY IMPROVE THE AIR QUALITY OF OUR MOST HEAVILY POLLUTED CITIES.

I KNOW THERE ARE STILL A FEW DARK CLOUDS REMAINING ON OUR ECONOMIC HORIZON. I KNOW THAT YOU ARE CONCERNED ABOUT THE CONTINUING CRISIS IN MANY SAVINGS AND LOAN INSTITUTIONS. I HAVE ASKED FOR MEASURES TO RESTORE THESE INSTITUTIONS TO FINANCIAL HEALTH. AND I HAVE ASKED FOR $37 MILLION IN 1989 FUNDS FOR THE JUSTICE DEPARTMENT, SO THAT THOSE WHO WILLFULLY ABUSE THE TRUST OF SMALL SAVERS CAN EXPECT TO BE PURSUED, AND PUT IN PRISON . . .

THE U.S. SENATE HAS ACTED EXPEDITIOUSLY ON THE S & L BILL, WITH STRONG SUPPORT FROM DEMOCRATS AND REPUBLICANS ALIKE. I CALL ON THE HOUSE OF REPRESENTATIVES TO PASS A RESPONSIBLE S & L BILL AS SOON AS POSSIBLE.

TEXAS, LIKE ALL OF AMERICA, FACES MANY CHALLENGES. BUT I BELIEVE THAT BY WORKING TOGETHER, AS REPUBLICANS AND DEMOCRATS, AS FEDERAL AND AS STATE OFFICIALS, WE CAN LICK ANY PROBLEMS DOWN THE PATH.

FEDERALISM WORKS BECAUSE OF YOUR LEADERSHIP AND YOUR INITIATIVE. THE OLD DICTUM OF THE BEST GOVERNMENT BEING THAT WHICH IS CLOSEST TO THE PEOPLE APPLIES HERE, IN AUSTIN. ((YOU KNOW, ANN RICHARDS WAS RIGHT ABOUT THAT SILVER FOOT. I KEPT PUTTING IT IN MY MOUTH ALL ALONG. BUT THE BOTTOM LINE IS, WHEN THEY ASK "WHERE'S GEORGE?" . . . SAY HE'S IN AUSTIN, AND DAMNED PROUD TO BE BACK . . .))

TRUE, SOME PROBLEMS OF THE RECENT PAST LINGER. SOME AREAS OF THE STATE ARE RECOVERING MORE SLOWLY THAN OTHERS. BUT THE WAY IS CLEAR TO A FUTURE AS BRIGHT AND PROMISING AS THE BLUE TEXAS SKY -- A NEW RELIANCE ON A DIVERSIFIED ECONOMY, AND THE TECHNOLOGIES OF THE NEXT CENTURY. THIS IS THE SECRET OF THE TEXAS TURNAROUND, AND ITS UNFOLDING IS A TRIBUTE TO THE LEADERSHIP OF BILL CLEMENTS, SENATORS GRAMM AND BENTSEN, AND THE MEN AND WOMEN OF THE TEXAS LEGISLATURE . . .

TEXAS IS STARTING TO FEEL LIKE ITS OLD SELF AGAIN. THERE IS AGAIN A FEELING AMONG TEXANS THAT ANYTHING IS POSSIBLE -- WHO KNOWS, THE RANGERS OR THE ASTROS MIGHT EVEN WIN THE WORLD SERIES . . .

AS WE FACE OUR FUTURE IN THE WHITE HOUSE, BARBARA AND I TAKE WITH US MEMORIES OF PEOPLE AND PLACES FROM A STATE THAT HAS BEEN HOME FOR MOST OF OUR LIVES.

WE REMEMBER DRIVING THE KIDS ACROSS TEXAS, AND SLOWING DOWN SO WE COULD TAKE IN THE FIELDS OF BLUEBONNETS AND INDIAN PAINTBRUSH.

WE REMEMBER THE PEOPLE OF HOUSTON, MANY OF THEM MATURE AND SKEPTICAL, BUT WHO NONETHELESS LISTENED TO A GREEN YOUNG MAN AND SENT HIM TO CONGRESS.

AND I REMEMBER LYNDON JOHNSON AT HIS RANCH BACK IN 1969, AN ELDER DEMOCRAT GIVING NEIGHBORLY ADVICE TO A YOUNG REPUBLICAN, WHILE HIS VERY SPECIAL LADY BIRD HELD OUT HER HAND IN HOSPITALITY.

BARBARA AND I TREASURE THESE 41 YEARS AS TEXANS -- THE SIGHTS AND SOUNDS OF HALF A LIFETIME, THE TRUST OF MANY FRIENDS, AND THE LOVE OF A FAMILY. ALL THIS AND MORE, WE REMEMBER WHENEVER WE THINK OF HOME . . .

LET ME THANK YOU FOR INVITING US BACK TO AUSTIN. GOD BLESS YOU. AND GOD BLESS THE UNITED STATES OF AMERICA.

# # #

WITH GB CHANGES

Davis/Wallace
April 21, 8 p.m.
Title: Texas
Draft: Three

PRESIDENTIAL REMARKS: **TEXAS STATE LEGISLATURE**
CAPITOL, AUSTIN
APRIL 26, WED., 4:40 p.m.

((It's a good thing this isn't Bill Clements' birthday . . . From where I'm standing, another Plaid Day in the Texas Legislature could blind a fella.))

In all sincerity, happy belated birthday Bill . . . Lieutenant Governor Bill Hobby, it's great to see you again. Speaker Gib Lewis, distinguished legislators, fellow Texans, thank you . . . I'm delighted to be back in Austin, with so many friends . . .

I will want to discuss a few issues facing Texas and all of America. Agriculture Commissioner Hightower to the contrary, I am a Texan. So let us say a few words about what it means to be a Texan.

Like the former kingdom of Hawaii, Texas is a nation that had to reconcile itself to being a state. But, like Hawaii, we will never reconcile ourselves to being ordinary. From the Pecos to the Pedernales, from the rapids of the Rio Grande to the broad

expanse of the muddy Red River, **there is no place on earth like Texas . . .**

Nor is there another capitol in America quite like this one, built of a rose-tinged granite that blushes in a low sun. And, this being Texas, we had to build a capitol that is exactly one foot taller than the one in Washington. Texas certainly stands tall in the heart of this President . . .

Perhaps for this reason, Larry McMurtry is one of my favorite writers. In Lonesome Dove, he describes the mythic Texas, and conjures that sense of place we all know so well. I am inspired by a man of letters who can convincingly adopt the voice of cowboys and outlaws -- men whose only schooling was in dodging bullets, whose only lessons were in how to run or rustle cattle.

But, unlike Davy Crockett, I first set out for Texas not on horseback from Tennessee, but from Connecticut in a red Studebaker in June, 1948. More than forty years later, that trip is still a vivid memory --the lonesome road, a neon Pearl Beer sign appearing in the desert twilight like an apparition. Stopping at a cafe, I didn't know if a chicken fried steak was a chicken fried like a steak, or a steak that tasted like chicken . . .

Still, Barbara and I settled in Texas, as did so many before us. We raised five children, built a business. And in that span of forty years, I watched this state grow into even greater glory. The Texas of the epic movie Giant seemed almost ordinary in the fifties, with bluejeaned millionaires as thick as jack rabbits in the Permian Basin. It has been noted that the wealth of merchants preceded the Renaissance of Michelangelo. In my lifetime I have seen the oil wealth of West Texas finance the building of great cities, and the expansion of first-class land grant colleges -- the origins of a Texas Renaissance, if you will. The energy business helped make Texas what it is today -- the Third Coast of the United States . . .

This Texas Renaissance lasted for years, even decades. But you also know another more recent chapter of the Texas story -- oil cheaper than fancy mineral water, skylines of empty buildings, expensive homes to be had for monthly payments, and thousands of laid-off workers.

Now, I'm no cowboy. I pitch horseshoes, but I don't ride broncos. But I understand that cowboys have a term for the most dangerous and cunning bronco of all: they call it a "sunfisher." These broncos will rebel against a rider by adopting a motion not unlike the sunfish of the Gulf -- a full-force leap into the air, back arched high, flank twisting the rider to the left, head and upper torso twisting the rider to the right, in an attempt to

tear him apart. Let me suggest that in the last few years, the whole state of Texas feels like it has been on just such a ride . . .

Strong men and women are challenged by adversity. I believe Texans have proven that . . . There may be a few more bumps and bruises ahead. But make no mistake, **Texas is back in the saddle again.**

State unemployment has dipped to its lowest level in four years, signaling the diversification of the Texas economy. In 1970, the energy sector accounted for nearly 25 percent of state output. Last year, it accounted for only 11.4 percent. And yet Texas has more than regained the 208,000 jobs it lost from 1986 to 1987, with employment in plastics, aviation, electronics, space and computer programming leading the way. More people are at work in Texas today than every before. The Dallas-Fort Worth "Metroplex" leads in defense and aviation technology; Houston in space and biomedical research; Austin, in microelectronics.

Another sign that Texas is becoming a world center of technology is the selection of Ellis County as the site of the Superconducting Super Collider . . . When built, the SSC will enable us to study elemental particles with names like quarks, mesons (May-sahns) and neutrinos. ((Sounds to me like the breakfast cereal the Bush grandkids have been eating.))

Well, as Tom Luce, chairman of the Texas National Research Laboratory Commission said, with a little imagination, you can: "conclude that future research in the field of high energy could some day help us conquer cancer." Or discover a way to boost the amount of information on a microchip. Or answer questions that eluded Einstein, giving us a glimpse of the forces that bind the universe together. The SSC is a key to understanding nature, and to developing the technologies and industries of the 21st Century. **Let me assure you, I will back the construction of the SSC because it is good for America . . .**

And let me also salute you, the members of the Texas House and Senate, and the voters of this state, for having the vision to take an early lead on this project . . .

Still, no matter how diversified and high-tech Texas becomes, a strong domestic energy industry is important to the future of this state and all of America. I find it disturbing that nearly 50 percent of America's oil is imported. This is not good for our national security.

Some are questioning the future of America's energy production in the aftermath of the wreck of the Exxon Valdez off Alaska. I am as concerned as you -- and all Americans -- are by the environmental tragedy in Prince William Sound. We are using

federal resources intelligently in the clean-up effort. We are working with industry to develop an improved plan in event of a future spill. But shutting down our domestic energy production is no answer, and would merely increase our dependence on foreign oil. **We must, and we will, maintain a strong, domestic energy industry.**

To reduce our dependence on foreign oil, we must return to high levels of exploratory drilling. I propose to stimulate domestic drilling with tax credits and other incentives. We need more research to learn how to recover more secondary and tertiary oil. And I want to do something else. Texas has a 65-year supply of one of the cleanest forms of energy known to man -- natural gas. **I call on Congress, at long last, to fully decontrol natural gas . . .** I believe that this will happen soon.

We need a national energy policy that relies not only on oil, but on many other sources. I believe we can and must use more safe nuclear power. I believe that coal has a bright future. You know my confidence in natural gas.

As we all become increasingly concerned about the need for clean air, we must look more to natural gas and to nuclear power. We must produce more of our corn crop to produce ethanol, more of our natural gas to produce methanol . . . Greater use of these

two will rapidly improve the air quality of our most heavily polluted cities.

I know there are still a few dark clouds remaining on our economic horizon. I know that you are concerned about the continuing crisis in many savings and loan institutions. I have asked for measures to restore these institutions to financial health. And I have asked for $37 million in 1989 funds for the Justice Department, so that those who willfully abuse the trust of small savers can expect to be pursued, and put in prison . . . The U.S. Senate has acted expeditiously on the S & L bill, with strong support from Democrats and Republicans alike. I call on the House of Representatives to pass a responsible S & L bill as soon as possible.

Texas, like all of America, faces many challenges. But I believe that by working together, as Republicans and Democrats, as federal and as state officials, we can lick any problems down the path. Federalism works because of your leadership and your initiative. The old dictum of the best government being that which is closest to the people applies here, in Austin. ((You know, Ann Richards was right about that silver foot. I kept putting it in my mouth all along. But the bottom line is, when they ask "Where's George?" . . . say he's in Austin, and damned proud to be back . . .))

True, some problems of the recent past linger. Some areas of the state are recovering more slowly than others. But the way is clear to a future as bright and promising as the blue Texas sky -- a new reliance on a diversified economy, and the technologies of the next century. This is the secret of the Texas turnaround, and its unfolding is a tribute to the leadership of Bill Clements, Senators Gramm and Bentsen, and the men and women of the Texas Legislature . . . Texas is starting to feel like its old self again. There is again a feeling among Texans that anything is possible -- who knows, the Rangers or the Astros might even win the World Series . . .

As we face our future in the White House, Barbara and I take with us memories of people and places from a state that has been home for most of our lives.

We remember driving the kids across Texas, and slowing down so we could take in the fields of bluebonnets and Indian paintbrush.

We remember the people of Houston, many of them mature and skeptical, but who nonetheless listened to a green young man and sent him to Congress.

And I remember Lyndon Johnson at his ranch back in 1969, an elder Democrat giving neighborly advice to a young Republican,

while his very special Lady Bird held out her hand in hospitality.

Barbara and I treasure these 41 years as Texans -- the sights and sounds of half a lifetime, the trust of many friends, and the love of a family. All this and more, we remember whenever we think of home . . .

Let me thank you for inviting us back to Austin. God bless you. And God bless the United States of America.

# # #

Davis/Wallace
April 25, 6 a.m.
Title: Texas2
Draft: Three

PRESIDENTIAL REMARKS: TEXAS STATE LEGISLATURE
CAPITOL, AUSTIN
APRIL 26, WED., 4:40 p.m.

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I know there are still a few dark clouds remaining on our economic horizon. I know that you are concerned about the continuing crisis in many savings and loan institutions. I have asked for measures to restore these institutions to financial health. And I have asked for $37 million in 1989 funds for the Justice Department, so that those who willfully abuse the trust of small savers can expect to be pursued, and put in prison . . . The U.S. Senate has acted expeditiously on the S & L bill, with strong support from Democrats and Republicans alike. I call on the House of Representatives to pass a responsible S & L bill as soon as possible.

Texas, like all of America, faces many challenges. But I believe that by working together, as Republicans and Democrats, as federal and as state officials, we can lick any problems down the path. Federalism works because of your leadership and your initiative. The old dictum of the best government being that which is closest to the people applies here, in Austin. ((You know, Ann Richards was right about that silver foot. I kept putting it in my mouth all along. But the bottom line is, when they ask "Where's George?" . . . say he's in Austin, and damned proud to be back . . .))

True, some problems of the recent past linger. Some areas of the state are recovering more slowly than others. But the way is clear to a future as bright and promising as the blue Texas

sky -- a new reliance on a diversified economy, and the technologies of the next century. This is the secret of the Texas turnaround, and its unfolding is a tribute to the leadership of Bill Clements, Senators Gramm and Bentsen, and the men and women of the Texas Legislature . . . Texas is starting to feel like its old self again. There is again a feeling among Texans that anything is possible -- who knows, the Rangers or the Astros might even win the World Series . . .

As we face our future in the White House, Barbara and I take with us memories of people and places from a state that has been home for most of our lives.

We remember driving the kids across Texas, and slowing down so we could take in the fields of bluebonnets and Indian paintbrush.

We remember the people of Houston, many of them mature and skeptical, but who nonetheless listened to a green young man and sent him to Congress.

And I remember Lyndon Johnson at his ranch back in 1969, an elder Democrat giving neighborly advice to a young Republican, while his very special Lady Bird held out her hand in hospitality.

Barbara and I treasure these 41 years as Texans -- the sights and sounds of half a lifetime, the trust of many friends, and the love of a family. All this and more, we remember whenever we think of home . . .

Let me thank you for inviting us back to Austin. God bless you. And God bless the United States of America.

# # #

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Remarks t

LENGTH: 2111 words

Thank you very, very muc
for presenting me to thi
respects and thanks to
birthday.[Laughter] I'm not sure another plaid day in the Texas Legislature
in order. But a belated happy birthday, anyway.

I'm delighted to be back in Austin with so many friends. And I'll want to discuss a few issues facing Texas and all of America. But let me just say a few words about what it means to be a Texan. My credentials: I have my driver's license here, and I have my Texas hunting license here, and somewhere my voter registration slip. And it is true, I like Kennebunkport, but I am a Texan. And so, I just want to clear the air and say a few words about that.

You know, like the former kingdom of Hawaii, Texas is a nation that had to reconcile itself to being a State. But like Hawaii, we'll never reconcile ourselves to being ordinary. From the Pecos to the Pedernales, from the Rio Grande to the Red River, there is no place on Earth like Texas, nor is there another capitol in America quite like this one, built of this rose-tinged granite that blushes in the low sun. And this being Texas, we had to build a capitol that is exactly one foot taller than the one in Washington. And so, I hope it's not too much of a cliche to say that Texas stands tall in the heart of this President.

Perhaps for this reason, Larry McMurtry, who was at the White House the other day -- he's one of my favorite writers -- in "Lonesome Dove" he describes the mythic Texas and conjures that sense of the place we all know so well. And I'm inspired by a man of letters who can convincingly adopt the voice of the cowboys and the outlaws, men whose only schooling was in dodging bullets, whose only lessons were in how to run or rustle cattle.

But unlike Davy Crockett, I first set out for Texas not on horseback from Tennessee but from Connecticut in a red Studebaker in June of 1948. And more than 40 years later, that trip is still a vivid memory: Highway 80, neon Pearl Beer signs appearing in the desert twilight -- and see, I've got a note here -- and stopping at a cafe -- I'll admit it I didn't know if chicken-fried steak was a chicken fried like a steak or a steak that tasted like a chicken, but I've learned.[Laughter] And still, Bar and I settled in Texas, as did many before us. We raised 5 kids and helped get into the business world -- helped start a business. And in that span of 40 years, I've watched with pride as this State has grown into even greater glory. And in my lifetime, I've seen the oil wealth of west Texas help finance the building of great cities, the expansion of great universities and colleges -- the origins of a Texas Renaissance, if you will. The energy business helped make Texas what it is today: the Third Coast of the United States.

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This Texas Renaissance lasted for years, even decades. But you also know another more recent chapter of the Texas story: oil cheaper than some of this fancy mineral water, skylines of sometimes empty buildings, expensive homes to be had just for the monthly payments, and thousands of laid-off workers. Now, I'm no cowboy. I pitch horseshoes for a living, but I don't ride these broncos. I understand, though, that cowboys have a term for the most dangerous and cunning bronco of all. And they call it a sunfisher. And those broncos will rebel against a rider by adopting a motion not unlike the sunfish: a full-force leap into the air, back arched high, flank twisting the rider to the left, head and upper torso twisting the rider to the right in an attempt to tear him apart. And let me suggest that not so many months ago, the whole State of Texas, our State, felt like it had been on just such a ride. But strong men and women are challenged by adversity, and I believe Texas has proven that. And there may be a few more bumps and bruises ahead, but make no mistake: Texas is back -- back in the saddle, strong in every way.

State unemployment has dipped to its lowest level in 4 years, signaling, I think, the diversification of the Texas economy. In 1970 the energy sector accounted for nearly 25 percent of State output -- 25 percent. And last year it accounted for 11.4 percent. And yet Texas has more than regained the 208,000 jobs it lost from 1986 to 1987, with employment in plastics and aviation, electronics, space, and computer programming leading the way. More people are at work in Texas today than ever before in our history. And the Dallas-Fort Worth Metroplex leads in defense and aviation and technology; Houston in space and biomedical research; Austin, microelectronics. Another sign that Texas is becoming a world center of technology is the selection of Ellis County as the site of the Superconducting Supercollidor. And when built, the SSC will enable us to study elemental particles with names like quarks and mesons and neutrinos -- sounds like a breakfast cereal that these grandkids of ours are into these days.

But as Tom Luce, chairman of the Texas National Research Laboratory Commission said, "With a little imagination, you can conclude that future research in the field of high energy could some day help us conquer canceror discover a way to boost the amount of information on a microchip or answer questions that eluded Einstein, giving us a glimpse of the forces that bind the universe together." The SSC is a key to understanding nature and to developing the technologies and industries of the 21st century. Let me assure you: I will back the construction of the SSC because it is good for the entire United States of America. And let me also salute you, the members of the Texas House and Senate, and the voters of this State for having the vision to take an early lead on this project. Texas got its act together and made an outstanding presentation early on.

Still, no matter how diversified and high tech that we become, a strong domestic energy industry is important, still important, to the future of this State and, in my view, to the future of all America. I find it disturbing that nearly 50 percent of America's oil is imported. This is not good for the national security of the United States of America. And now some are questioning the future of America's energy production in the aftermath of the wreck of the Exxon Valdez off Alaska. I am as concerned as anyone, as all Americans are, by the environmental tragedy in Prince William Sound. We're using Federal resources intelligently to clean it up. We're working with industry to develop an improved plan in the event of a future spill. But shutting down our domestic energy production is no answer and would merely increase our dependence on

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foreign oil. We must, and we will maintain a strong, domestic energy industry.

To reduce our dependence on foreign oil, we must return to high levels of exploratory drilling. I propose to stimulate domestic drilling with tax credits and other incentives. We need more research -- this isn't just a function of the Government, incidentally -- but we need more research to learn how to recover more of our secondary and tertiary oil. And I want to do something else. Texas has a 65-year supply of one of the cleanest forms of energy known to man: natural gas. And I call on the United States Congress, at long last, to fully decontrol natural gas. And I believe that's going to happen soon.

We need a national energy policy that relies not only on oil but on other sources as well. I believe we can and must use safe nuclear power. I believe that coal has a bright future. And you know my confidence in natural gas. As we all become increasingly concerned about the need for clean air, we must look more to natural gas and to nuclear power. We must press forward with clean coal technology, and we must produce more of our corn crop to produce -- switch more of our corn crop to produce ethanol, more of our natural gas to produce methanol. And the greater use of these alternative fuels will rapidly improve the air quality of our most heavily polluted cities. And I'm talking about Los Angeles, Denver. I'm talking about Houston, Texas, and other heavily impacted areas.

I know there are still a few dark clouds remaining on our economic horizon. I know that you're concerned about the continuing crisis in many of the savings and loan institutions. And I've asked for measures to restore these institutions to financial health. And I've asked for $37 million in 1989 funds for the Justice Department so that those who willfully abuse the trust of the small savers can expect to be pursued; tried; and, if guilty, put into prison. We must go after the white-collar criminal in this country as well as the others. The United States Senate has acted expeditiously on the savings and loan bill that I put forward -- strong support on both sides of the aisle, Democrats and Republicans alike. And I now call on the House of Representatives to pass a responsible savings and loan bill as soon as possible.

Texas, like all America, faces many challenges. But I believe that by working together, as Republicans and Democrats, as Federal and as State officials, we can lick any problems down the path. Federalism works. Federalism works because of your leadership and your initiative. The old dictum of the best government being that which is closest to the people applies here, right here in this chamber, right here in Austin, Texas, right here at the capitol. True, some problems of the recent past linger on. Some areas of the State are recovering more slowly than others. But the way is clear to a future as bright and promising as the blue Texas sky: a new reliance on a diversified economy and the technologies of the next century. And this is the secret of the Texas turnaround, and its unfolding is a tribute not just to the entrepreneurial spirit of Texans themselves but to the leadership of Governor Clements, Senators Gramm and Bentsen, the congressional delegation, and the men and women of the Texas legislature. Texas is starting to feel now that anything is possible. I'm not standing here trying to underestimate the problems of education or health or urban blight, but there is a new feeling abroad. Who knows, the Astros might win in the National League, and, yes, under enlightened new leadership -- [laughter] -- the Texas Rangers might even win in the American League. Good luck.

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Seriously, as we face our future in the White House, Barbara and I take with us memories of people and places from a State that has been home for most of our lives -- all of my adult life, if you will. We remember those 12 years in west Texas. It's a dry heat. You don't even feel it. [Laughter] My eye. We were there for 12 years. But the people -- I feel their strength and fierce independence to this very day. And I remember driving the kids across Texas. We moved down from west Texas down to the Gulf Coast, slowing down to take in the fields of the bluebonnets and Indian paintbrush. I don't think you can drive through that country without thinking of yourself as a naturalist or an environmentalist, or at least counting your blessings. And I remember the people of Houston, many of them mature and skeptical, but who nonetheless listened to a very green young man and sent him to Congress in 1966. And I remember Lyndon Johnson at his ranch back in 1969, when I went over there -- an elder Democrat, retired from the Presidency, giving neighborly advice to a young Republican, while his very special Lady Bird held out her hand in hospitality.

Barbara and I treasure these 41 years as Texans -- the sights and sounds of our adult lifetime, the trust of many friends, and the love of a family. And all this and more, we remember when we think of home.

You know, I've been thinking about it. Ann Richards was right. [Laughter] Why do you think that I said we could cancer conquer?[Laughter] Look, I kept putting that silver foot in my mouth -- [laughter] -- all along the way. But the bottom line is: When they ask, Where's George?, say he's in Austin, among friends. And I'm very proud to be back.

Thank you all. God bless you. And God bless the United States of America.

Note: The President spoke at 4:35 p.m. in the house chamber of the State capitol. He was introduced by Gib Lewis, speaker of the house of representatives. At the conclusion of his remarks, the President referred to State treasurer Ann Richards.

as a rookie Cong. -- LBJ -- in the other party -- only Rep to go to Andrews

Following camp -- when partisan emotions ... a fever pitch, largely Dem. and

- insistent on bipartisan / reaching out / LBJ

- Just last week, he reminded us again in a speech-writers meeting that little acts of kindness go a long way.

- Humor, which came straight from Pres. -- was self-deprecating -- in that same spirit. But he also got his point

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REMARKS: TEXAS STATE LEGISLATURE
CAPITOL, AUSTIN
APRIL 26, WED., 4:40 P.M.

((IT'S A GOOD THING THIS ISN'T BILL CLEMENTS' BIRTHDAY . . . FROM WHERE I'M STANDING, ANOTHER PLAID DAY IN THE TEXAS LEGISLATURE COULD BLIND A FELLA.))

IN ALL SINCERITY, HAPPY BELATED BIRTHDAY BILL . . . LIEUTENANT GOVERNOR BILL HOBBY, IT'S GREAT TO SEE YOU AGAIN. SPEAKER GIB LEWIS, DISTINGUISHED LEGISLATORS, FELLOW TEXANS, THANK YOU . . . I'M DELIGHTED TO BE BACK IN AUSTIN, WITH SO MANY FRIENDS . . .

I WILL WANT TO DISCUSS A FEW ISSUES FACING TEXAS AND ALL OF AMERICA. AGRICULTURE COMMISSIONER HIGHTOWER'S VIEWS TO THE CONTRARY, I AM A TEXAN.

SO LET US SAY A FEW WORDS ABOUT WHAT IT MEANS TO BE A TEXAN.

LIKE THE FORMER KINGDOM OF HAWAII, TEXAS IS A NATION THAT HAD TO RECONCILE ITSELF TO BEING A STATE. BUT, LIKE HAWAII, WE WILL NEVER RECONCILE OURSELVES TO BEING ORDINARY. FROM THE PECOS TO THE PEDERNALES, FROM THE RAPIDS OF THE RIO GRANDE TO THE BROAD EXPANSE OF THE MUDDY RED RIVER, <u>THERE IS NO PLACE ON EARTH LIKE TEXAS . . .</u>

NOR IS THERE ANOTHER CAPITOL IN AMERICA QUITE LIKE THIS ONE, BUILT OF A ROSE-TINGED GRANITE THAT BLUSHES IN A LOW SUN. AND, THIS BEING TEXAS, WE HAD TO BUILD A CAPITOL THAT IS EXACTLY ONE FOOT TALLER THAN THE ONE IN WASHINGTON. TEXAS CERTAINLY STANDS TALL IN THE HEART OF THIS PRESIDENT . . .

PERHAPS FOR THIS REASON, LARRY MCMURTRY IS ONE OF MY FAVORITE WRITERS.

IN LONESOME DOVE, HE DESCRIBES THE MYTHIC TEXAS, AND CONJURES THAT SENSE OF PLACE WE ALL KNOW SO WELL. I AM INSPIRED BY A MAN OF LETTERS WHO CAN CONVINCINGLY ADOPT THE VOICE OF COWBOYS AND OUTLAWS -- MEN WHOSE ONLY SCHOOLING WAS IN DODGING BULLETS, WHOSE ONLY LESSONS WERE IN HOW TO RUN OR RUSTLE CATTLE.

BUT, UNLIKE DAVY CROCKETT, I FIRST SET OUT FOR TEXAS NOT ON HORSEBACK FROM TENNESSEE, BUT FROM CONNECTICUT IN A RED STUDEBAKER IN JUNE, 1948.

MORE THAN FORTY YEARS LATER, THAT TRIP IS STILL A VIVID MEMORY -- HIGHWAY 80, A NEON PEARL BEER SIGN APPEARING IN THE DESERT TWILIGHT LIKE AN APPARITION. STOPPING AT A CAFE, I DIDN'T KNOW IF A CHICKEN FRIED STEAK WAS A CHICKEN FRIED LIKE A STEAK, OR A STEAK THAT TASTED LIKE CHICKEN . . .

STILL, BARBARA AND I SETTLED IN TEXAS, AS DID SO MANY BEFORE US. WE RAISED FIVE CHILDREN, HELPED BUILD A BUSINESS.

AND IN THAT SPAN OF FORTY YEARS, I WATCHED THIS STATE GROW INTO EVEN GREATER GLORY. IN MY LIFETIME I HAVE SEEN THE OIL WEALTH OF WEST TEXAS HELP FINANCE THE BUILDING OF GREAT CITIES, AND THE EXPANSION OF FIRST-CLASS LAND GRANT COLLEGES -- THE ORIGINS OF A TEXAS RENAISSANCE, IF YOU WILL. THE ENERGY BUSINESS HELPED MAKE TEXAS WHAT IT IS TODAY -- THE THIRD COAST OF THE UNITED STATES . . .

THIS TEXAS RENAISSANCE LASTED FOR YEARS, EVEN DECADES. BUT YOU ALSO KNOW ANOTHER MORE RECENT CHAPTER OF THE TEXAS STORY -- OIL CHEAPER THAN FANCY MINERAL WATER, SKYLINES OF EMPTY BUILDINGS, EXPENSIVE HOMES TO BE HAD FOR MONTHLY PAYMENTS, AND THOUSANDS OF LAID-OFF WORKERS.

NOW, I'M NO COWBOY. I PITCH HORSESHOES, BUT I DON'T RIDE BRONCOS.

BUT I UNDERSTAND THAT COWBOYS HAVE A TERM FOR THE MOST DANGEROUS AND CUNNING BRONCO OF ALL: THEY CALL IT A "SUNFISHER." THESE BRONCOS WILL REBEL AGAINST A RIDER BY ADOPTING A MOTION NOT UNLIKE THE SUNFISH OF THE GULF -- A FULL-FORCE LEAP INTO THE AIR, BACK ARCHED HIGH, FLANK TWISTING THE RIDER TO THE LEFT, HEAD AND UPPER TORSO TWISTING THE RIDER TO THE RIGHT, IN AN ATTEMPT TO TEAR HIM APART.

LET ME SUGGEST THAT IN THE LAST FEW YEARS, THE WHOLE STATE OF TEXAS FEELS LIKE IT HAS BEEN ON JUST SUCH A RIDE . . .

STRONG MEN AND WOMEN ARE CHALLENGED BY ADVERSITY. I BELIEVE TEXANS HAVE PROVEN THAT . . . THERE MAY BE A FEW MORE BUMPS AND BRUISES AHEAD. BUT MAKE NO MISTAKE, TEXAS IS BACK IN THE SADDLE AGAIN.

STATE UNEMPLOYMENT HAS DIPPED TO ITS LOWEST LEVEL IN FOUR YEARS, SIGNALING THE DIVERSIFICATION OF THE TEXAS ECONOMY. IN 1970, THE ENERGY SECTOR ACCOUNTED FOR NEARLY 25 PERCENT OF STATE OUTPUT. LAST YEAR, IT ACCOUNTED FOR ONLY 11.4 PERCENT. AND YET TEXAS HAS MORE THAN REGAINED THE 208,000 JOBS IT LOST FROM 1986 TO 1987, WITH EMPLOYMENT IN PLASTICS, AVIATION, ELECTRONICS, SPACE AND COMPUTER PROGRAMMING LEADING THE WAY.

MORE PEOPLE ARE AT WORK IN TEXAS TODAY THAN EVER BEFORE. THE DALLAS-FORT WORTH "METROPLEX" LEADS IN DEFENSE AND AVIATION TECHNOLOGY; HOUSTON IN SPACE AND BIOMEDICAL RESEARCH; AUSTIN, IN MICROELECTRONICS.

ANOTHER SIGN THAT TEXAS IS BECOMING A WORLD CENTER OF TECHNOLOGY IS THE SELECTION OF ELLIS COUNTY AS THE SITE OF THE SUPERCONDUCTING SUPER COLLIDER . . .

WHEN BUILT, THE SSC WILL ENABLE US TO STUDY ELEMENTAL PARTICLES WITH NAMES LIKE QUARKS, MESONS (MAY-SAHNS) AND NEUTRINOS. ((SOUNDS TO ME LIKE THE BREAKFAST CEREAL THE BUSH GRANDKIDS HAVE BEEN EATING.))

WELL, AS TOM LUCE, CHAIRMAN OF THE TEXAS NATIONAL RESEARCH LABORATORY COMMISSION SAID, WITH A LITTLE IMAGINATION, YOU CAN: "CONCLUDE THAT FUTURE RESEARCH IN THE FIELD OF HIGH ENERGY COULD SOME DAY HELP US CONQUER CANCER."

OR DISCOVER A WAY TO BOOST THE AMOUNT OF INFORMATION ON A MICROCHIP. OR ANSWER QUESTIONS THAT ELUDED EINSTEIN, GIVING US A GLIMPSE OF THE FORCES THAT BIND THE UNIVERSE TOGETHER. THE SSC IS A KEY TO UNDERSTANDING NATURE, AND TO DEVELOPING THE TECHNOLOGIES AND INDUSTRIES OF THE 21ST CENTURY. LET ME ASSURE YOU, I WILL BACK THE CONSTRUCTION OF THE SSC BECAUSE IT IS GOOD FOR AMERICA . . .

AND LET ME ALSO SALUTE YOU, THE MEMBERS OF THE TEXAS HOUSE AND SENATE, AND THE VOTERS OF THIS STATE, FOR HAVING THE VISION TO TAKE AN EARLY LEAD ON THIS PROJECT . . .

STILL, NO MATTER HOW DIVERSIFIED AND HIGH-TECH TEXAS BECOMES, A STRONG DOMESTIC ENERGY INDUSTRY IS IMPORTANT TO THE FUTURE OF THIS STATE AND ALL OF AMERICA. I FIND IT DISTURBING THAT NEARLY 50 PERCENT OF AMERICA'S OIL IS IMPORTED.

THIS IS NOT GOOD FOR OUR NATIONAL SECURITY.

SOME ARE QUESTIONING THE FUTURE OF AMERICA'S ENERGY PRODUCTION IN THE AFTERMATH OF THE WRECK OF THE EXXON VALDEZ OFF ALASKA. I AM AS CONCERNED AS YOU -- AND ALL AMERICANS -- ARE BY THE ENVIRONMENTAL TRAGEDY IN PRINCE WILLIAM SOUND. WE ARE USING FEDERAL RESOURCES INTELLIGENTLY IN THE CLEAN-UP EFFORT. WE ARE WORKING WITH INDUSTRY TO DEVELOP AN IMPROVED PLAN IN EVENT OF A FUTURE SPILL.

BUT SHUTTING DOWN OUR DOMESTIC ENERGY PRODUCTION IS NO ANSWER, AND WOULD MERELY INCREASE OUR DEPENDENCE ON FOREIGN OIL. <u>WE MUST, AND WE WILL, MAINTAIN A STRONG, DOMESTIC ENERGY INDUSTRY</u>.

TO REDUCE OUR DEPENDENCE ON FOREIGN OIL, WE MUST RETURN TO HIGH LEVELS OF EXPLORATORY DRILLING. I PROPOSE TO STIMULATE DOMESTIC DRILLING WITH TAX CREDITS AND OTHER INCENTIVES. WE NEED MORE RESEARCH TO LEARN HOW TO RECOVER MORE SECONDARY AND TERTIARY OIL.

AND I WANT TO DO SOMETHING ELSE. TEXAS HAS A 65-YEAR SUPPLY OF ONE OF THE CLEANEST FORMS OF ENERGY KNOWN TO MAN -- NATURAL GAS. I CALL ON CONGRESS, AT LONG LAST, TO FULLY DECONTROL NATURAL GAS . . . I BELIEVE THAT THIS WILL HAPPEN SOON.

WE NEED A NATIONAL ENERGY POLICY THAT RELIES NOT ONLY ON OIL, BUT ON MANY OTHER SOURCES. I BELIEVE WE CAN AND MUST USE MORE SAFE NUCLEAR POWER.

I BELIEVE THAT COAL HAS A BRIGHT FUTURE. YOU KNOW MY CONFIDENCE IN NATURAL GAS.

AS WE ALL BECOME INCREASINGLY CONCERNED ABOUT THE NEED FOR CLEAN AIR, WE MUST LOOK MORE TO NATURAL GAS AND TO NUCLEAR POWER. WE MUST PRODUCE MORE OF OUR CORN CROP TO PRODUCE ETHANOL, MORE OF OUR NATURAL GAS TO PRODUCE METHANOL . . . GREATER USE OF THESE TWO WILL RAPIDLY IMPROVE THE AIR QUALITY OF OUR MOST HEAVILY POLLUTED CITIES.

I KNOW THERE ARE STILL A FEW DARK CLOUDS REMAINING ON OUR ECONOMIC HORIZON. I KNOW THAT YOU ARE CONCERNED ABOUT THE CONTINUING CRISIS IN MANY SAVINGS AND LOAN INSTITUTIONS. I HAVE ASKED FOR MEASURES TO RESTORE THESE INSTITUTIONS TO FINANCIAL HEALTH. AND I HAVE ASKED FOR $37 MILLION IN 1989 FUNDS FOR THE JUSTICE DEPARTMENT, SO THAT THOSE WHO WILLFULLY ABUSE THE TRUST OF SMALL SAVERS CAN EXPECT TO BE PURSUED, AND PUT IN PRISON . . .

THE U.S. SENATE HAS ACTED EXPEDITIOUSLY ON THE S & L BILL, WITH STRONG SUPPORT FROM DEMOCRATS AND REPUBLICANS ALIKE. I CALL ON THE HOUSE OF REPRESENTATIVES TO PASS A RESPONSIBLE S & L BILL AS SOON AS POSSIBLE.

TEXAS, LIKE ALL OF AMERICA, FACES MANY CHALLENGES. BUT I BELIEVE THAT BY WORKING TOGETHER, AS REPUBLICANS AND DEMOCRATS, AS FEDERAL AND AS STATE OFFICIALS, WE CAN LICK ANY PROBLEMS DOWN THE PATH.

FEDERALISM WORKS BECAUSE OF YOUR LEADERSHIP AND YOUR INITIATIVE. THE OLD DICTUM OF THE BEST GOVERNMENT BEING THAT WHICH IS CLOSEST TO THE PEOPLE APPLIES HERE, IN AUSTIN. ((YOU KNOW, ANN RICHARDS WAS RIGHT ABOUT THAT SILVER FOOT. I KEPT PUTTING IT IN MY MOUTH ALL ALONG. BUT THE BOTTOM LINE IS, WHEN THEY ASK "WHERE'S GEORGE?" . . . SAY HE'S IN AUSTIN, AND DAMNED PROUD TO BE BACK . . .))

TRUE, SOME PROBLEMS OF THE RECENT PAST LINGER. SOME AREAS OF THE STATE ARE RECOVERING MORE SLOWLY THAN OTHERS. BUT THE WAY IS CLEAR TO A FUTURE AS BRIGHT AND PROMISING AS THE BLUE TEXAS SKY -- A NEW RELIANCE ON A DIVERSIFIED ECONOMY, AND THE TECHNOLOGIES OF THE NEXT CENTURY. THIS IS THE SECRET OF THE TEXAS TURNAROUND, AND ITS UNFOLDING IS A TRIBUTE TO THE LEADERSHIP OF BILL CLEMENTS, SENATORS GRAMM AND BENTSEN, AND THE MEN AND WOMEN OF THE TEXAS LEGISLATURE . . .

TEXAS IS STARTING TO FEEL LIKE ITS OLD SELF AGAIN. THERE IS AGAIN A FEELING AMONG TEXANS THAT ANYTHING IS POSSIBLE -- WHO KNOWS, THE RANGERS OR THE ASTROS MIGHT EVEN WIN THE WORLD SERIES . . .

AS WE FACE OUR FUTURE IN THE WHITE HOUSE, BARBARA AND I TAKE WITH US MEMORIES OF PEOPLE AND PLACES FROM A STATE THAT HAS BEEN HOME FOR MOST OF OUR LIVES.

WE REMEMBER DRIVING THE KIDS ACROSS TEXAS, AND SLOWING DOWN SO WE COULD TAKE IN THE FIELDS OF BLUEBONNETS AND INDIAN PAINTBRUSH.

WE REMEMBER THE PEOPLE OF HOUSTON, MANY OF THEM MATURE AND SKEPTICAL, BUT WHO NONETHELESS LISTENED TO A GREEN YOUNG MAN AND SENT HIM TO CONGRESS.

AND I REMEMBER LYNDON JOHNSON AT HIS RANCH BACK IN 1969, AN ELDER DEMOCRAT GIVING NEIGHBORLY ADVICE TO A YOUNG REPUBLICAN, WHILE HIS VERY SPECIAL LADY BIRD HELD OUT HER HAND IN HOSPITALITY.

BARBARA AND I TREASURE THESE 41 YEARS AS TEXANS -- THE SIGHTS AND SOUNDS OF HALF A LIFETIME, THE TRUST OF MANY FRIENDS, AND THE LOVE OF A FAMILY. ALL THIS AND MORE, WE REMEMBER WHENEVER WE THINK OF HOME . . .

LET ME THANK YOU FOR INVITING US BACK TO AUSTIN. GOD BLESS YOU. AND GOD BLESS THE UNITED STATES OF AMERICA.

# # #

IN ALL SINCERITY, HAPPY BELATED BIRTHDAY BILL . . . LIEUTENANT GOVERNOR BILL HOBBY, IT'S GREAT TO SEE YOU AGAIN. SPEAKER GIB LEWIS, DISTINGUISHED LEGISLATORS, FELLOW TEXANS, THANK YOU . . . I'M DELIGHTED TO BE BACK IN AUSTIN, WITH SO MANY FRIENDS . . .

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STILL, BARBARA AND I SETTLED IN TEXAS, AS DID SO MANY BEFORE US. WE RAISED FIVE CHILDREN, HELPED BUILD A BUSINESS.

AND IN THAT SPAN OF FORTY YEARS, I WATCHED THIS STATE GROW INTO EVEN GREATER GLORY. IN MY LIFETIME I HAVE SEEN THE OIL WEALTH OF WEST TEXAS HELP FINANCE THE BUILDING OF GREAT CITIES, AND THE EXPANSION OF FIRST-CLASS LAND GRANT COLLEGES -- THE ORIGINS OF A TEXAS RENAISSANCE, IF YOU WILL. THE ENERGY BUSINESS HELPED MAKE TEXAS WHAT IT IS TODAY -- THE THIRD COAST OF THE UNITED STATES . . .

THIS TEXAS RENAISSANCE LASTED FOR YEARS, EVEN DECADES. BUT YOU ALSO KNOW ANOTHER MORE RECENT CHAPTER OF THE TEXAS STORY -- OIL CHEAPER THAN FANCY MINERAL WATER, SKYLINES OF EMPTY BUILDINGS, EXPENSIVE HOMES TO BE HAD FOR MONTHLY PAYMENTS, AND THOUSANDS OF LAID-OFF WORKERS.

NOW, I'M NO COWBOY. I PITCH HORSESHOES, BUT I DON'T RIDE BRONCOS.

BUT I UNDERSTAND THAT COWBOYS HAVE A TERM FOR THE MOST DANGEROUS AND CUNNING BRONCO OF ALL: THEY CALL IT A "SUNFISHER." THESE BRONCOS WILL REBEL AGAINST A RIDER BY ADOPTING A MOTION NOT UNLIKE THE SUNFISH OF THE GULF -- A FULL-FORCE LEAP INTO THE AIR, BACK ARCHED HIGH, FLANK TWISTING THE RIDER TO THE LEFT, HEAD AND UPPER TORSO TWISTING THE RIDER TO THE RIGHT, IN AN ATTEMPT TO TEAR HIM APART.

LET ME SUGGEST THAT IN THE LAST FEW YEARS, THE WHOLE STATE OF TEXAS FEELS LIKE IT HAS BEEN ON JUST SUCH A RIDE . . .

STRONG MEN AND WOMEN ARE CHALLENGED BY ADVERSITY. I BELIEVE TEXANS HAVE PROVEN THAT . . . THERE MAY BE A FEW MORE BUMPS AND BRUISES AHEAD. BUT MAKE NO MISTAKE, TEXAS IS BACK IN THE SADDLE AGAIN.

STATE UNEMPLOYMENT HAS DIPPED TO ITS LOWEST LEVEL IN FOUR YEARS, SIGNALING THE DIVERSIFICATION OF THE TEXAS ECONOMY. IN 1970, THE ENERGY SECTOR ACCOUNTED FOR NEARLY 25 PERCENT OF STATE OUTPUT. LAST YEAR, IT ACCOUNTED FOR ONLY 11.4 PERCENT. AND YET TEXAS HAS MORE THAN REGAINED THE 208,000 JOBS IT LOST FROM 1986 TO 1987, WITH EMPLOYMENT IN PLASTICS, AVIATION, ELECTRONICS, SPACE AND COMPUTER PROGRAMMING LEADING THE WAY.

MORE PEOPLE ARE AT WORK IN TEXAS TODAY THAN EVER BEFORE. THE DALLAS-FORT WORTH "METROPLEX" LEADS IN DEFENSE AND AVIATION TECHNOLOGY; HOUSTON IN SPACE AND BIOMEDICAL RESEARCH; AUSTIN, IN MICROELECTRONICS.

ANOTHER SIGN THAT TEXAS IS BECOMING A WORLD CENTER OF TECHNOLOGY IS THE SELECTION OF ELLIS COUNTY AS THE SITE OF THE SUPERCONDUCTING SUPER COLLIDER . . .

WHEN BUILT, THE SSC WILL ENABLE US TO STUDY ELEMENTAL PARTICLES WITH NAMES LIKE QUARKS, MESONS (MAY-SAHNS) AND NEUTRINOS. ((SOUNDS TO ME LIKE THE BREAKFAST CEREAL THE BUSH GRANDKIDS HAVE BEEN EATING.))

WELL, AS TOM LUCE, CHAIRMAN OF THE TEXAS NATIONAL RESEARCH LABORATORY COMMISSION SAID, WITH A LITTLE IMAGINATION, YOU CAN: "CONCLUDE THAT FUTURE RESEARCH IN THE FIELD OF HIGH ENERGY COULD SOME DAY HELP US CONQUER CANCER."

OR DISCOVER A WAY TO BOOST THE AMOUNT OF INFORMATION ON A MICROCHIP. OR ANSWER QUESTIONS THAT ELUDED EINSTEIN, GIVING US A GLIMPSE OF THE FORCES THAT BIND THE UNIVERSE TOGETHER. THE SSC IS A KEY TO UNDERSTANDING NATURE, AND TO DEVELOPING THE TECHNOLOGIES AND INDUSTRIES OF THE 21ST CENTURY. LET ME ASSURE YOU, I WILL BACK THE CONSTRUCTION OF THE SSC BECAUSE IT IS GOOD FOR AMERICA . . .

AND LET ME ALSO SALUTE YOU, THE MEMBERS OF THE TEXAS HOUSE AND SENATE, AND THE VOTERS OF THIS STATE, FOR HAVING THE VISION TO TAKE AN EARLY LEAD ON THIS PROJECT . . .

STILL, NO MATTER HOW DIVERSIFIED AND HIGH-TECH TEXAS BECOMES, A STRONG DOMESTIC ENERGY INDUSTRY IS IMPORTANT TO THE FUTURE OF THIS STATE AND ALL OF AMERICA. I FIND IT DISTURBING THAT NEARLY 50 PERCENT OF AMERICA'S OIL IS IMPORTED.

THIS IS NOT GOOD FOR OUR NATIONAL SECURITY.

SOME ARE QUESTIONING THE FUTURE OF AMERICA'S ENERGY PRODUCTION IN THE AFTERMATH OF THE WRECK OF THE EXXON VALDEZ OFF ALASKA. I AM AS CONCERNED AS YOU -- AND ALL AMERICANS -- ARE BY THE ENVIRONMENTAL TRAGEDY IN PRINCE WILLIAM SOUND. WE ARE USING FEDERAL RESOURCES INTELLIGENTLY IN THE CLEAN-UP EFFORT. WE ARE WORKING WITH INDUSTRY TO DEVELOP AN IMPROVED PLAN IN EVENT OF A FUTURE SPILL.

BUT SHUTTING DOWN OUR DOMESTIC ENERGY PRODUCTION IS NO ANSWER, AND WOULD MERELY INCREASE OUR DEPENDENCE ON FOREIGN OIL. <u>WE MUST, AND WE WILL, MAINTAIN A STRONG, DOMESTIC ENERGY INDUSTRY</u>.

TO REDUCE OUR DEPENDENCE ON FOREIGN OIL, WE MUST RETURN TO HIGH LEVELS OF EXPLORATORY DRILLING. I PROPOSE TO STIMULATE DOMESTIC DRILLING WITH TAX CREDITS AND OTHER INCENTIVES. WE NEED MORE RESEARCH TO LEARN HOW TO RECOVER MORE SECONDARY AND TERTIARY OIL.

AND I WANT TO DO SOMETHING ELSE. TEXAS HAS A 65-YEAR SUPPLY OF ONE OF THE CLEANEST FORMS OF ENERGY KNOWN TO MAN -- NATURAL GAS. I CALL ON CONGRESS, AT LONG LAST, TO FULLY DECONTROL NATURAL GAS . . . I BELIEVE THAT THIS WILL HAPPEN SOON.

WE NEED A NATIONAL ENERGY POLICY THAT RELIES NOT ONLY ON OIL, BUT ON MANY OTHER SOURCES. I BELIEVE WE CAN AND MUST USE MORE SAFE NUCLEAR POWER.

I BELIEVE THAT COAL HAS A BRIGHT FUTURE. YOU KNOW MY CONFIDENCE IN NATURAL GAS.

AS WE ALL BECOME INCREASINGLY CONCERNED ABOUT THE NEED FOR CLEAN AIR, WE MUST LOOK MORE TO NATURAL GAS AND TO NUCLEAR POWER. WE MUST PRODUCE MORE OF OUR CORN CROP TO PRODUCE ETHANOL, MORE OF OUR NATURAL GAS TO PRODUCE METHANOL . . . GREATER USE OF THESE TWO WILL RAPIDLY IMPROVE THE AIR QUALITY OF OUR MOST HEAVILY POLLUTED CITIES.

I KNOW THERE ARE STILL A FEW DARK CLOUDS REMAINING ON OUR ECONOMIC HORIZON. I KNOW THAT YOU ARE CONCERNED ABOUT THE CONTINUING CRISIS IN MANY SAVINGS AND LOAN INSTITUTIONS. I HAVE ASKED FOR MEASURES TO RESTORE THESE INSTITUTIONS TO FINANCIAL HEALTH. AND I HAVE ASKED FOR $37 MILLION IN 1989 FUNDS FOR THE JUSTICE DEPARTMENT, SO THAT THOSE WHO WILLFULLY ABUSE THE TRUST OF SMALL SAVERS CAN EXPECT TO BE PURSUED, AND PUT IN PRISON . . .

THE U.S. SENATE HAS ACTED EXPEDITIOUSLY ON THE S & L BILL, WITH STRONG SUPPORT FROM DEMOCRATS AND REPUBLICANS ALIKE. I CALL ON THE HOUSE OF REPRESENTATIVES TO PASS A RESPONSIBLE S & L BILL AS SOON AS POSSIBLE.

TEXAS, LIKE ALL OF AMERICA, FACES MANY CHALLENGES. BUT I BELIEVE THAT BY WORKING TOGETHER, AS REPUBLICANS AND DEMOCRATS, AS FEDERAL AND AS STATE OFFICIALS, WE CAN LICK ANY PROBLEMS DOWN THE PATH.

FEDERALISM WORKS BECAUSE OF YOUR LEADERSHIP AND YOUR INITIATIVE. THE OLD DICTUM OF THE BEST GOVERNMENT BEING THAT WHICH IS CLOSEST TO THE PEOPLE APPLIES HERE, IN AUSTIN. ((YOU KNOW, ANN RICHARDS WAS RIGHT ABOUT THAT SILVER FOOT. I KEPT PUTTING IT IN MY MOUTH ALL ALONG. BUT THE BOTTOM LINE IS, WHEN THEY ASK "WHERE'S GEORGE?" . . . SAY HE'S IN AUSTIN, AND DAMNED PROUD TO BE BACK . . .))

TRUE, SOME PROBLEMS OF THE RECENT PAST LINGER. SOME AREAS OF THE STATE ARE RECOVERING MORE SLOWLY THAN OTHERS. BUT THE WAY IS CLEAR TO A FUTURE AS BRIGHT AND PROMISING AS THE BLUE TEXAS SKY -- A NEW RELIANCE ON A DIVERSIFIED ECONOMY, AND THE TECHNOLOGIES OF THE NEXT CENTURY. THIS IS THE SECRET OF THE TEXAS TURNAROUND, AND ITS UNFOLDING IS A TRIBUTE TO THE LEADERSHIP OF BILL CLEMENTS, SENATORS GRAMM AND BENTSEN, AND THE MEN AND WOMEN OF THE TEXAS LEGISLATURE . . .

TEXAS IS STARTING TO FEEL LIKE ITS OLD SELF AGAIN. THERE IS AGAIN A FEELING AMONG TEXANS THAT ANYTHING IS POSSIBLE -- WHO KNOWS, THE RANGERS OR THE ASTROS MIGHT EVEN WIN THE WORLD SERIES . . .

AS WE FACE OUR FUTURE IN THE WHITE HOUSE, BARBARA AND I TAKE WITH US MEMORIES OF PEOPLE AND PLACES FROM A STATE THAT HAS BEEN HOME FOR MOST OF OUR LIVES.

WE REMEMBER DRIVING THE KIDS ACROSS TEXAS, AND SLOWING DOWN SO WE COULD TAKE IN THE FIELDS OF BLUEBONNETS AND INDIAN PAINTBRUSH.

WE REMEMBER THE PEOPLE OF HOUSTON, MANY OF THEM MATURE AND SKEPTICAL, BUT WHO NONETHELESS LISTENED TO A GREEN YOUNG MAN AND SENT HIM TO CONGRESS.

AND I REMEMBER LYNDON JOHNSON AT HIS RANCH BACK IN 1969, AN ELDER DEMOCRAT GIVING NEIGHBORLY ADVICE TO A YOUNG REPUBLICAN, WHILE HIS VERY SPECIAL LADY BIRD HELD OUT HER HAND IN HOSPITALITY.

BARBARA AND I TREASURE THESE 41 YEARS AS TEXANS -- THE SIGHTS AND SOUNDS OF HALF A LIFETIME, THE TRUST OF MANY FRIENDS, AND THE LOVE OF A FAMILY. ALL THIS AND MORE, WE REMEMBER WHENEVER WE THINK OF HOME . . .

LET ME THANK YOU FOR INVITING US BACK TO AUSTIN. GOD BLESS YOU. AND GOD BLESS THE UNITED STATES OF AMERICA.

# # #

FINAL Mark 4/25 5:15pm

REMARKS: TEXAS STATE LEGISLATURE
CAPITOL, AUSTIN
APRIL 26, WED., 4:40 P.M.

((IT'S A GOOD THING THIS ISN'T BILL CLEMENTS' BIRTHDAY . . . FROM WHERE I'M STANDING, ANOTHER PLAID DAY IN THE TEXAS LEGISLATURE COULD BLIND A FELLA.))

BUSH VISITS TEXAS

Ann Richards, others praise Bush speech

By Wayne Slater
and Sam Attlesey
Austin Bureau of The Dallas Morning News

AUSTIN — Their long-distance political spat may have been a highlight of the political season, but on Wednesday, state Treasurer Ann Richards and President Bush were on their best behavior.

Ms. Richards even wore her silver foot lapel pin, a gift from the president.

"When a gentleman sends you jewelry and he comes to town, you want to be sure and wear it," said Ms. Richards, who sat on the front row in the House chamber Wednesday when Mr. Bush addressed legislators and state leaders.

It was the first time the two had been together since last summer's national political conventions, when Ms. Richards lampooned Mr. Bush with the line: "Poor George. He can't help it; he was born with a silver foot in his mouth," and Mr. Bush countered in his acceptance speech with a lighthearted jab.

On Wednesday, Ms. Richards sat barely a dozen feet from the president, who after bobbling a line in his speech looked down and joked, "Maybe Ann Richards was right."

For her part, Ms. Richards praised the president's address Wednesday and had only kind words for him.

"He was cordial today, and I am grateful for that," she said.

After Mr. Bush's 15-minute address, legislators, state officials and politicians who packed the ornate House chamber gave the president high marks, especially for the upbeat tone, talk of his Texas roots and his support for the Superconducting Super Collider and the energy industry.

House Speaker Gib Lewis and Lt. Gov. Bill Hobby, both Democrats, said they were encouraged by the president's pledge to support federal funding for the atom smasher.

"That's good news for us," Mr. Lewis said.

"Without strong support from the president, its chances for funding are much less," Mr. Hobby said.

Railroad Commissioner Kent Hance said he liked what he heard about energy.

"It's the first time we've had a president make a strong statement about energy," the commissioner said. "He is not going to let Texas' economy falter."

A recovering energy industry and additional developments in the high-technology field are seen as two key factors in the economic survival of Texas, and legislators said Mr. Bush properly stressed those points in painting a rosy picture for the state.

"It was generally a very upbeat and optimistic tone," Mr. Hobby said.

"He was showing he's concerned and knows what our needs are," said Rep. Tom Craddick, R-Midland, a longtime friend of the president's.

"I liked the upbeat positive attitude," said Clayton Williams, a Midland oilman and likely GOP candidate for governor.

While Republicans found no fault with the speech, some Democratic lawmakers said that although they liked it, they felt the president's message lacked substance.

"The only purpose was to make Texas feel good about itself," said Rep. Mike McKinney, D-Centerville. "I think it did that. I don't think it was of substance. I don't think it was intended to be."

Rep. Bruce Gibson, D-Cleburne, said the speech was "entertaining" and "geared toward touching a lot of the emotional bases of Texas more than any new policy initiatives."

Sen. Eddie Bernice Johnson, D-Dallas, said the speech failed to address some major issues, and she disputed Mr. Bush's contention that "Texas is back in the saddle."

"It was a very light speech," she added.

And Rep. Curtis Seidlits, D-Sherman, echoed Ms. Johnson's sentiments.

"It was a social visit," he said, "a tea-time social call."

Staff writers Anne Marie Kilday and Siva Vaidhyan than contributed to this report.

Bush seeks advice from former boss Reagan

By Kevin Merida
Washington Bureau of The Dallas Morning News

LOS ANGELES — Metaphorically speaking, it was a meeting of the retired quarterback and his backup, who after eight years on the bench is finally calling the signals for the nation.

There was even a football resting comfortably under an end table in Ronald Reagan's office, a room with a view on the 34th floor of 2121 Fox Plaza.

The current president, George Bush, took his seat in the middle of a tan couch. The former president was to the left in another cushioned chair, clad in the familiar brown suit, his left hand on his knee. On the table beside him was what else? A bowl of jelly beans.

How do you think your successor is doing? Mr. Reagan was asked after being told there was considerable discussion of Mr. Bush's first 100 days.

"Well, I'm not a part of that discussion," he responded, "because I think he's doing just fine. And he was a major part of everything that we did in the preceding eight years. I'm very pleased to have him here."

There was a bit of strain on the faces of both men when Mr. Reagan was asked about Oliver North and new White House documents released during his trial — documents that the congressional committees investigating the Iran-contra affair had never seen.

"Well, again, as I say, I just don't think this is a time to comment," Mr. Reagan said.

The private meeting Wednesday morning, which lasted nearly an hour, was the first between the two men since Mr. Bush took office and Mr. Reagan headed home to California.

They have spoken by telephone a fair amount, however, including when Mr. Bush called to apologize for those newspaper stories in which Bush aides were trashing Mr. Reagan.

To emphasize his high regard for his former boss, Mr. Bush told reporters that he was there to seek Mr. Reagan's advice.

On what?

"Life its own self," M[illegible] re. Dan plied, quoting Texas Jenkins. "Life its ow[illegible]

Photo Copy Preservation

Bush talks Texas before Legislature

President says he thinks economy's on rebound

By Kevin Merida
Washington Bureau of The Dallas Morning News

AUSTIN — On the first 2½ days of a cross-country trip, President Bush mourned the sailors killed on the USS Iowa, touted his anti-drug program and extolled his plans to improve American competitiveness.

But when he returned to his adopted home state Wednesday, it was time to talk about Texas

■ Ann Richards, others praise speech. 14A
■ Bush meets with Reagan. 14A

— Texas culture, the Texas economy, Texas politicians, even his Texas roots.

In a personal, often-nostalgic 15-minute address to the Legislature — the first time a president has addressed Texas lawmakers since Lyndon B. Johnson spoke to the Senate in 1965 — Mr. Bush offered a combination pep talk and rhapsodical history lesson.

Defining what it means to be a Texan, the president evoked author Larry McMurtry's tales of cowboys and outlaws, noted that the state Capitol was built taller than the nation's Capitol and recalled when he arrived in West Texas after leaving Connecticut in his red Studebaker in June 1948.

"Stopping at a cafe," Mr. Bush reflected, "I'll admit it, I didn't know if a chicken-fried steak was a chicken fried like a steak or a steak that tasted like chicken."

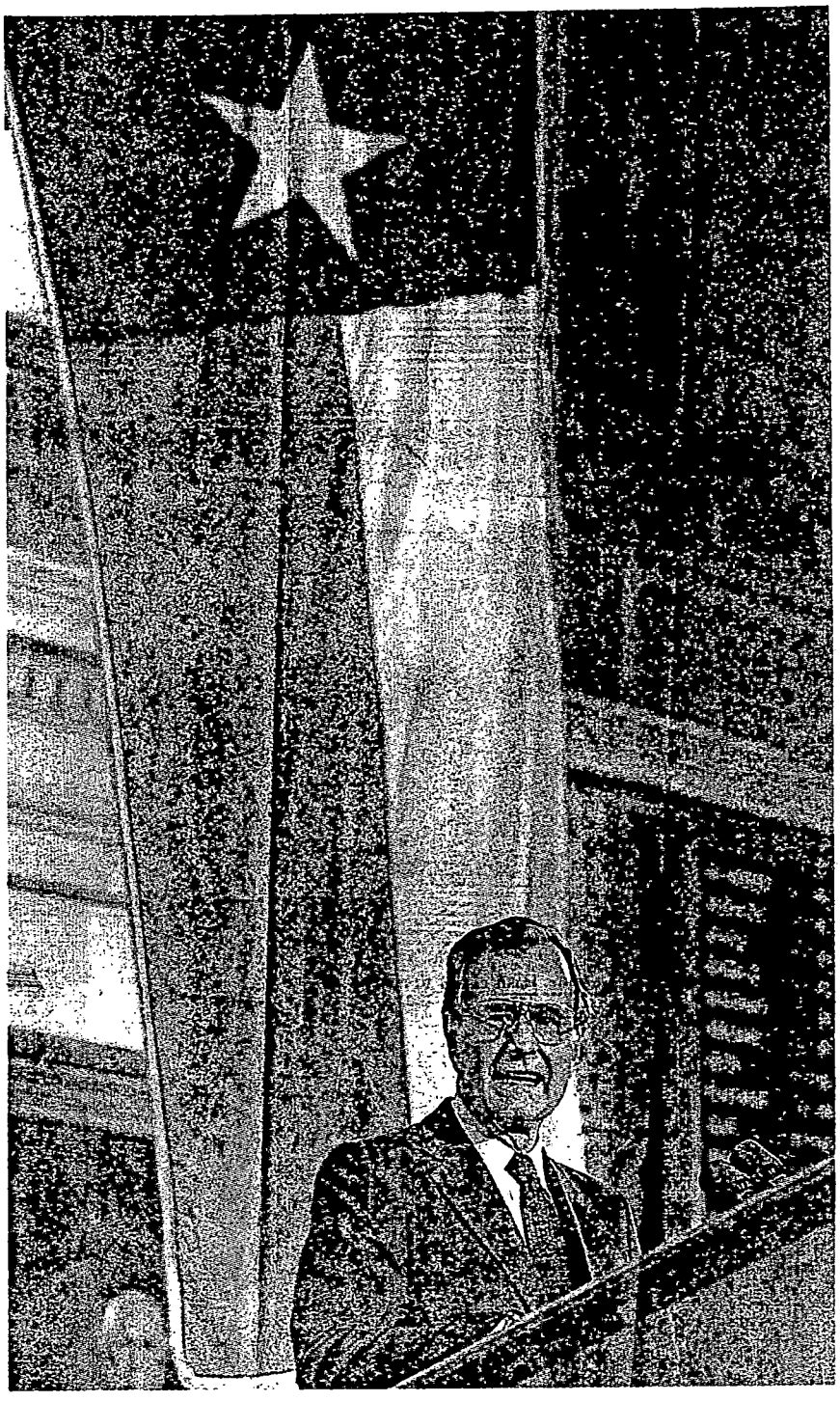
The one-time Midland oilman even renewed the old debate about his Texas credentials, assuring lawmakers that he has a driver's license and hunting license from the Lone Star State. Acknowledging that he does have a home in Maine, he said, "It's true I like Kennebunkport, but I am a Texan."

The legislators and guests in the ornate House chamber interrupted his speech 10 times with warm and enthusiastic applause. Gov. Bill Clements later presented Mr. Bush a certificate making him an honorary captain in the Texas Rangers, an award that last went to the late John Wayne, and House Speaker Gib Lewis presented Mr. Bush with a gavel.

Besides waxing nostalgic about Texas, Mr. Bush also addressed the painful reality with which many Texans have been grappling in recent years: "oil cheaper than some fancy mineral water, skylines of sometimes empty buildings, expensive homes to be had just for the monthly

Please see BUSH on Page 15A.

Back in home state



The Dallas Morning News: David Woo

President Bush addresses the Legislature Wednesday, the first time a president had done so since Lyndon B. Johnson spoke to the Senate in 1965.

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Bush adds his clout to collider

By Dale Rice
TIMES HERALD AUSTIN BUREAU

AUSTIN — In his first major policy statement on the issue, President George Bush on Wednesday strongly endorsed construction of the superconducting super collider slated to be built near Waxahachie.

Speaking to a joint session of the Texas Legislature, Bush said the giant atom smasher holds "the key to understanding nature and to developing the technologies and industries of the 21st century."

"Let me assure you, I will back construction of the SSC because it is good for the entire United States of America," Bush told lawmakers and state leaders who are fighting congressional criticism over the $5.9 billion cost of the project.

The president praised the state's lawmakers and voters for their commitment to the project, saying, "Texas got its act together and made an outstanding presentation early on."

Bush's comments represented his first serious discussion of the super collider since the presidential campaign last fall, when he endorsed the huge scientific project that eventually could produce thousands of jobs in the Dallas area.

While the Republican president's budget proposal included start-up funds for the super collider, skeptics have sought to derail the plan by convincing members of Congress from other states to vote against financing it. Bush's firm backing of the project drew immediate praise from state officials.

Please see **BUSH, A-12**

BUSH

From A-1

"Without strong support from the president, its chances for funding are much less," said Lt. Gov. Bill Hobby, the state's top-ranking Democrat.

"If we have the president's support, it's a great step forward," said State Treasurer Ann Richards, who gained national fame last year when she delivered the keynote address at the Democratic National Convention and said Bush had been born with a "silver foot in his mouth."

In a departure from his prepared remarks, Bush referred to Richards — who sat in the front row — and poked fun at the way he had jumbled words in his speech. "You know," he said, "I've been thinking about it. Ann Richards was right. I kept putting that silver foot in my mouth all along the way."

That statement was one of many that drew a warm and enthusiastic response from the mostly Democratic lawmakers and their guests who packed the House chamber for the speech, the first time in state history that a sitting president addressed a joint session of the Legislature.

Bush's support for the super collider was one of the few substantive issues in the 18-minute speech laced with nostalgia and references to the state's economic rebound.

"There is no place on earth like Texas," Bush said, noting the state's pink granite Capitol stands one foot taller than the national Capitol.

Bush said his driver's license, hunting license and voter registration card are evidence that his heart is in Texas, even if his vacation home is in Maine. "I like Kennebunkport," he said, "but I am a Texan."

Asserting the Texas economy shows definite signs of recovery, Bush said, "Make no misstate, Texas is back — back in the saddle — strong in every way.

"True, some problems of the recent past linger," the president said. "But the way is clear to a future as bright and promising as the blue Texas sky — a new reliance on a diversified economy and the technologies of the next century."

To help speed the recovery, Bush said, he supports efforts to increase production of alternative fuels, including natural gas which is abundant in Texas. He also said he was backing measures to restore financial integrity to the troubled savings and loan industry, vowing that those who abused the trust of small savers could expect to be "pursued and put in prison."

While many lawmakers agreed the speech was long on nostalgia and short on substance, Sen. Ted Lyon, D-Rockwall, said it "was the right kind of speech for him to come back and make to the Texas Legislature."

Rep. Pat Hill, R-Dallas, described it as a "feel-good speech," and Rep. Anita Hill, R-Garland, called it a "pep talk."

While most praised the speech, some lawmakers complained that Bush ignored proposed defense cuts that could cost the Dallas-Fort Worth area up to 3,000 jobs and billions of dollars in federal funds and had failed to recognize lingering economic and social problems.

Staff writers Robert V. Camuto and Bennett Roth contributed to this report.

BUSH VISITS TEXAS

Bush says he thinks Texas economy is on rebound

Continued from Page 1A.

payments, and thousands of laid-off workers."

But he said: "Strong men and women are challenged by adversity. I believe Texans have proven that."

Throughout his speech, Mr. Bush was careful to mingle the good with the bad. He expressed confidence that despite some "dark clouds" on the economic horizon, Texas is on the rebound.

"There may be a few more bumps and bruises ahead," Mr. Bush said. "But make no mistake, Texas is back — back in the saddle, strong in every way."

He noted that the Dallas-Fort Worth metropolitan area is a leader in defense and aviation technology; Houston is a center of space and biomedical research; and Austin is in the forefront of microelectronics.

He praised Texas' leadership for beginning this turnaround, singling out Mr. Clements and Republican Sen. Phil Gramm and Democratic Sen. Lloyd Bentsen.

And he pledged strong backing for the federal government's Superconducting Super Collider, which is scheduled to be built in Ellis County, south of Dallas.

"The SSC is a key to understanding nature and to developing the technologies and industries of the 21st century," said Mr. Bush.

"Let me assure you, I will back the construction of the SSC because it is good for the entire United States of America," he said, triggering applause.

> "True, some problems of the recent past linger. Some areas of the state are recovering more slowly than others. But the way is clear to a future as bright and promising as the blue Texas sky — a new reliance on a diversified economy and the technologies of the next century."
>
> — President Bush

While the president acknowledged that many Texans are concerned about "the continuing crisis" in the savings and loan industry, he also noted that the Senate has passed his S&L bailout package. And he reiterated his promise that "those who willfully abuse the trust of small savers can expect to be pursued, tried and, if guilty, put into prison."

In forecasting the state's rebound, Mr. Bush cited the lowest Texas unemployment rate in four years as a sign that the economy is becoming more diversified. And he further boasted that Texas is becoming "a world center of technology."

"True, some problems of the recent past linger," he said. "Some areas of the state are recovering more slowly than others. But the way is clear to a future as bright and promising as the blue Texas sky — a new reliance on a diversified economy and the technologies of the next century."

Mr. Bush added, "No matter how diversified and high-tech Texas becomes, a strong domestic energy industry is important to the future of this state and all of America."

He reiterated his commitment to preserving the domestic energy industry despite some questions about future oil production in the wake of the Alaska oil spill.

He also called for more r search into how to recover secon ary and tertiary oil. And notin Texas' supply of natural gas, h again called for Congress to ful decontrol that fuel

"Texas is starting to feel like i old self again," Mr. Bush conclude "There is again a feeling amor Texans that anything is possibl Who knows? The Astros might eve win in the National League and th Texas Rangers, under enlightene new leadership, might win in th American League."

The president's son, Dallas bus nessman George W. Bush, is a ne owner of the Texas Rangers bas ball team.

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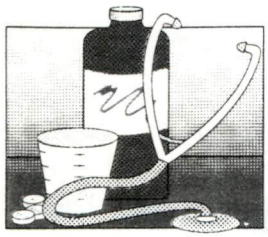
Issue 89:4

FISCAL

Bob Bullock, Texas Comptroller of Public Ac

Index



Health spending could boost Texas' share of federal grants
Legislative proposals by the Comptroller's Office would allow the state to capture more federal aid money for medical services for Texas' poorest citizens by raising the state's cigarette tax. Page 7.

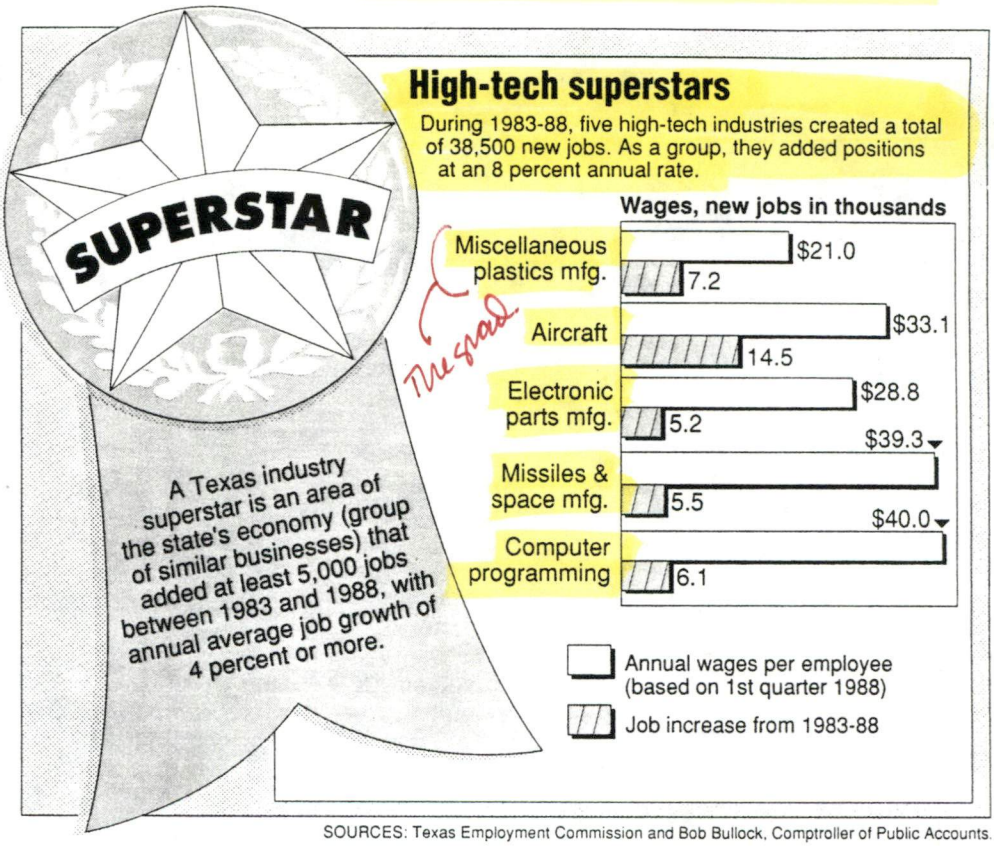
Texas at a glance

Financial Tables
Pages 9-11.

Passengers taking off in record numbers
The number of passengers flying through Texas airports has soared in recent years. Page 12.

Industr

Many Texas busi



SOURCES: Texas Employment Commission and Bob Bullock, Comptroller of Public Accounts.

The fastest-growing Texas industries are helping to create and define the state's emerging, post-bust economy—an economy shifting from over-reliance on energy to a healthy diversity of manufacturing, services and trade.

A close look at the highest-growth industries can test some commonly-held notions about the trends that are shaping the new Texas: Will the future economy be dominated by high-tech, high paying professions, or by low-wage service jobs?

During the boom-and-bust cycle of the 1980s, much of the state's economy was rocked by the changing fortunes of oil and real estate. But 28 other industries enjoyed an explosion of job growth—accounting for four out of every five Texas jobs created between 1983 and 1988.

During this time, these 28 "superstar" in-

See page 2

Growth in the superstar industries is producing lasting changes in the Texas economy.

dustries each created more than 5,000 new jobs and added employment substantially faster than the overall state rate.[1] In all, the superstar industries created 347,500 of the net total 428,000 new jobs added in Texas in the 1983-88 period. (While Texas lost 207,000 jobs during the 1986-87 recession, all of these jobs have been regained and total employment is now higher than ever before.)

"The superstar industries prove something I've said before—the Texas economy has finally developed a resilience and strength that will enable it to prosper in spite of short-term reversals," said Comptroller Bob Bullock.

The industry superstars make up a diverse group that includes spacecraft manufacturers and day-care workers, as well as stock brokers, clothing retailers and physicians. Not a single one of the superstars is involved in oil and gas.

These 28 industries fall into four basic categories: high-technology companies, high-paying service industries, other services, and industries related to the real estate boom of the mid-1980s.

[1] Based on Texas Employment Commission nonfarm wage and salary employment, first quarter 1983-88; The Comptroller's Office defined the 28 "superstars" as industries that gained at least 5,000 jobs and averaged at least 4.0 percent employment growth rate between 1983 and 1988, substantially higher than the state's 1.4 percent average annual rate for that period.

Superstar industries job growth

Of the 28 superstars, psychiatric hospitals added jobs fastest during 1983-88.

Rank	Industry	Annual average percent growth
1	Psychiatric hospitals	39.7
2	Health & allied services	17.3
3	Temporary help services	15.1
4	Employment agencies	13.6
5	Computer programming services	13.0
6	Miscellaneous business services	12.5
7	Airlines	10.7
8	Mortgage companies	10.1
9	Missile & spacecraft manufacturing	10.1
10	Domestic services	9.9
11	Legal services	9.5
12	State savings & loan associations	9.3
13	Management, consulting & public relations	8.6
14	Security brokers & dealers	8.6
15	Electronic parts manufacturing	7.8
16	Aircraft manufacturing	7.7
17	Child day care services	6.8
18	Family clothing stores	6.4
19	Real estate agents & managers	6.3
20	Miscellaneous plastics manufacturing	5.8
21	Equipment rental & leasing	5.6
22	Physicians' offices	5.1
23	Real estate operators	4.8
24	Cleaning & janitorial services	4.8
25	Accounting & auditing services	4.6
26	Insurance agents & brokers	4.3
27	Detective & protective services	4.2
28	Restaurants & bars	4.0
	28 superstars average—6.7	
	Total Texas average—1.4	

SOURCES: Texas Employment Commission and Bob Bullock, Comptroller of Public Accounts.

Growth in the boom-related companies has cooled off since the recession. But the other categories continue to expand. Their growth is producing lasting structural changes in the Texas economy.

High tech takes off: High-technology industries are often touted as a vital part of Texas' economic future, and the superstars survey supports this idea. Of the 28 superstars, one provides high-technology services, three are high-tech manufacturing industries and another benefits from advanced technological processes.

During 1983-88, the five high-tech superstars created 38,500 new jobs, producing new employment at a rate of 8 percent a year. In 1988, average wages per employee for the high-tech superstars were $31,100, substantially higher than the state average of $20,800.

Fastest-growing of the high-tech superstars was the computer pro-

FISCAL NOTES

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Space is devoted to a wide variety of topics of Texas interest and general government concern.

Contributors to this issue include: Phyllis Coombes, Linda Gibson, Don Kiser, Kate McKenna, Roy Morey, Dwain Osborne, Audrey Pennington, Tom Plaut, Dan Thompson, Charles Worth Ward and Bruce Lanier Wright.

gramming and software services industry. Total employment in the industry rose by an average 13 percent annually, from 7,300 in 1983 to more than 13,400 in 1988.

The Reagan-era defense buildup produced good times for manufacturers of guided missiles and space vehicles, who increased their Texas work force by an average 10.1 percent between 1983 and 1988, with total industry employment rising from 8,900 to 14,300.

Electronic component manufacturers, helped by the falling value of the dollar and strong worldwide demand, increased their Texas employment by an average 7.8 percent annually over 1983-88, creating 5,200 new jobs. Job gains in the Dallas-Fort Worth Metroplex—the state's high-tech center—accounted for a large part of this growth.

Texas aircraft manufacturing was also boosted by higher defense spending and, more recently, foreign sales spurred by the soft dollar. Aircraft manufacturers increased their Texas employment by 7.7 percent annually, from 32,400 in 1983 to 46,900 in 1988. Industry analysts expect aircraft manufacturing to continue operating at the current high level for at least two years before the effect of declining orders begins to be felt.

The state's miscellaneous plastic products industry uses advanced technology to manufacture a wide variety of specialized products such as molded auto parts, packaging materials and various consumer items. This industry's employment grew by 5.8 percent per year, hiring 7,200 additional workers in the five-year period. This job growth has occurred at twin-plant operations on the Mexican border, at large Gulf Coast manufacturing plants and at small businesses throughout the state. High world demand makes the prospects for continued growth seem excellent.

Top-dollar services: Another popular notion holds that the future state economy will be dominated by service-related jobs, and again, the superstars reflect this. Aside from the five high-tech firms, the remaining 23 superstar industries are all service-producing. However, the common idea that a service-based economy in Texas necessarily means low wages is not supported by evidence.

In direct contradiction to the popular stereotype, seven of the superstar service industries pay above-average wages. For these seven, 1988 wages averaged $35,500, considerably higher than the state average. In all, the high-wage services superstars created 81,600 jobs between 1983 and 1988, a seven percent

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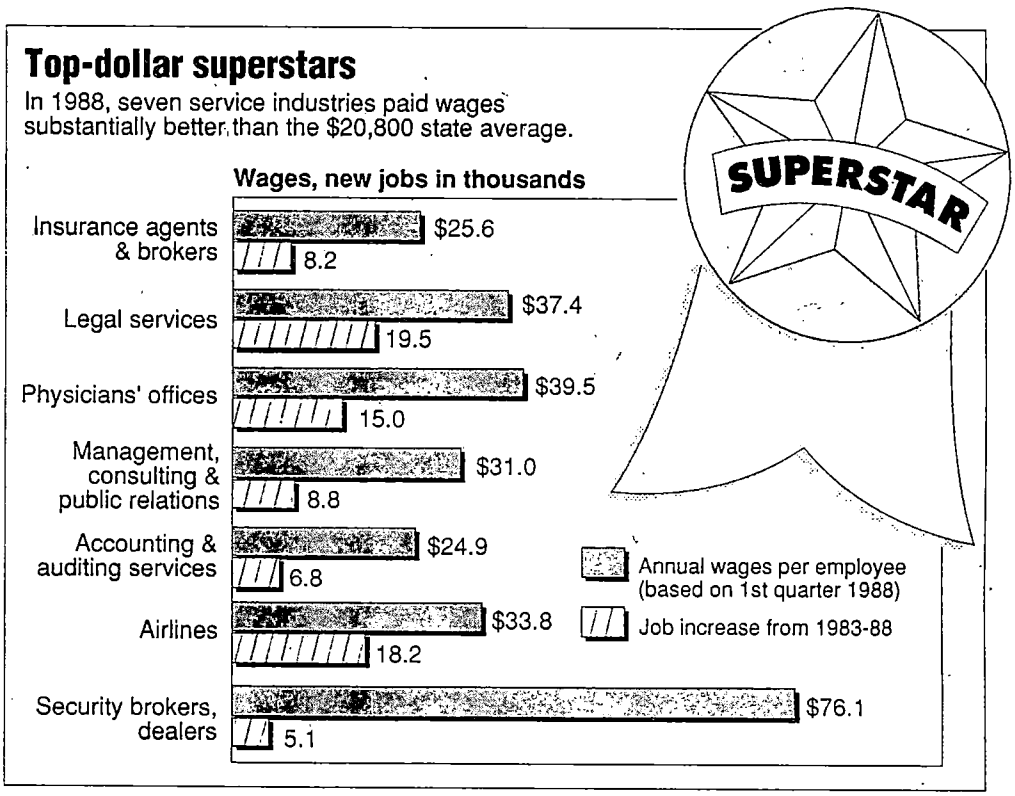
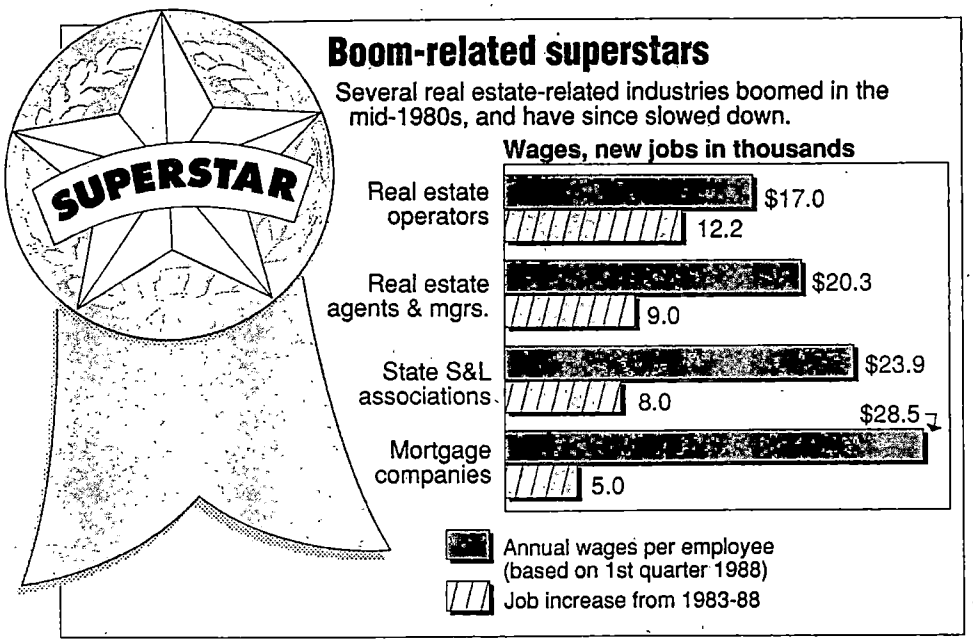
Contrary to the stereotype, many superstar services pay above-average wages.

Top-dollar superstars

In 1988, seven service industries paid wages substantially better than the $20,800 state average.



SOURCES: Texas Employment Commission and Bob Bullock, Comptroller of Public Accounts.



SOURCES: Texas Employment Commission and Bob Bullock, Comptroller of Public Accounts.

In some service industries, an influx of part-time and temporary workers has depressed average earnings.

annual increase in jobs.

Highest paid, at an average $76,100 per employee, were the security brokers and dealers who prospered throughout the investment boom of the 1980s, with total employment rising by 5,100 jobs or 8.6 percent annually. Nearly half of these jobs were located in the Dallas area, where brokerage employment grew at 11.7 percent annually throughout 1983-88.

Airline deregulation in the 1980s increased hiring at Texas air carriers, as competitive ticket pricing put record numbers of travelers in the air. The Texas air transportation industry added 18,200 Texas jobs while enjoying average annual growth of 10.7 percent. Nearly three-quarters of these jobs were created in the Metroplex area, mostly at Dallas-Fort Worth International Airport.

Legal services employment rose from less than 34,200 to nearly 53,700, a 9.5 percent annual growth rate. Much of this expansion represented the hiring of legal assistants and other support personnel.

Management, consulting and public relations services employment rose by 8.6 percent annually, creating 8,800 Texas jobs over five years. These firms, which offer a wide range of technical and management expertise to other businesses, have flourished in the wake of increasing specialization in the Texas business community.

Accounting, auditing and bookkeeping services generated 6,800 new jobs at a 4.6 percent annual growth rate. Employment also increased for insurance firms by 4.3 percent per year, for an 8,200-job gain.

Physicians' offices also qualify as high-paying service superstars, with job growth that rose by 5.1 percent a year, generating 15,000 new jobs. The spread of medical insurance to more of the population, increased medical specialization and the general aging of the state population all encouraged this growth.

Other services expand: Half of the superstar industries paid lower average wages per employee than the state average in 1988. These industries—all service providers—have been affected by the changing pattern of the 1980s' work force, as an influx of temporary and part-time workers has depressed average earnings per employee.

The fastest-growing of these lower-wage industries, health and allied services—dominated by home health care providers—more than doubled its employment between 1983 and 1988, growing an average 17.3 percent annually and creating 22,700 new jobs. Another health-related industry, psychiatric facilities, enjoyed the fastest growth of all the superstars, averaging 39.7 percent annual growth and adding 5,100 jobs in 1983-88.

Some personal service industries with a heavy reliance on part-time and temporary workers also performed well. Private household workers—cooks, gardeners,

maids and other domestic workers—increased employment by 9.9 percent a year throughout 1983-88, gaining 6,500 jobs. Child day care services also boomed by 8,000 jobs at 6.8 percent annual growth, driven by ever-larger numbers of two-worker and single-parent households.

Although many retail businesses bogged down during the oil and real estate bust, two retail industries—clothing stores and restaurants and bars—produced big employment gains, with many new full-time, part-time and temporary jobs.

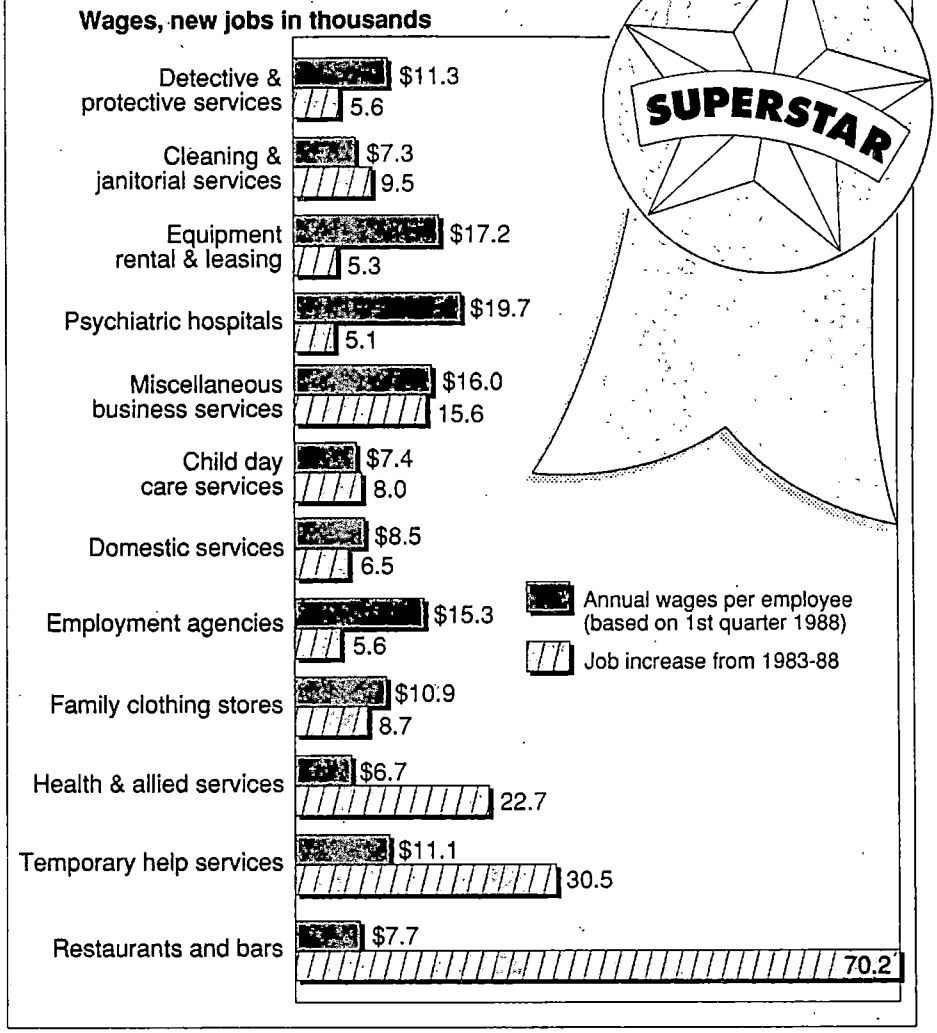
Employment at clothing stores rose by 8,700 between 1983-88, an average 6.4 percent annually.

And another retail trade superstar—restaurants and bars—stepped up hiring in the 1980s. In all, eating and drinking establishments added 70,200 new jobs over the five-year period, climbing from 322,900 jobs in 1983 to 393,100 in 1988—an average 4 percent growth rate. Much of this growth is due to larger numbers of working women and people who live alone, and the greater demand for leisure time, which have boosted consumers' desire for convenience.

Many of the industry superstars provide business services. Much of this growth has resulted from the trend among businesses to contract with outside firms for specialized services.

Other service superstars

Service industries with a heavy reliance on part-time and temporary workers have prospered in the 1980s.



SOURCES: Texas Employment Commission and Bob Bullock, Comptroller of Public Accounts.

Fastest growing of these was the temporary help industry, which offers firms significant savings on personnel and paperwork costs. Temporary services averaged 15.1 percent annual growth in the five-year period, adding 30,500 jobs.

Other successful business services include employment agencies (5,600 new jobs at a 13.6 percent average annual growth rate) and miscellaneous business services—a broad category including notaries public, business records and investor information firms, telephone answering services and companies in the booming field of telemarketing (15,600 jobs created, with industry employment ris-

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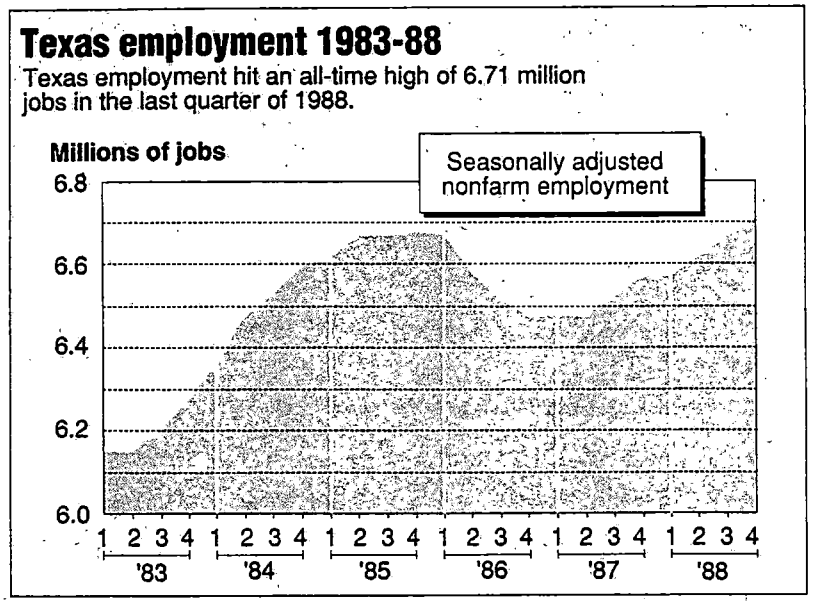


SOURCES: Texas Employment Commission and Bob Bullock, Comptroller of Public Accounts.

Today's industry superstars are leading Texas to record employment and a revitalized economy.

ing by 12.5 percent per year).

Equipment rental and leasing services employment rose by 5.6 percent annually and added 5,300 jobs between 1983 and 1988, as more companies discovered the cost advantages of leasing.

Cleaning and maintenance businesses, which provide janitorial and other services, grew at 4.8 percent per year, netting 9,500 new jobs over five years.

Security guard services make up the largest portion of the detective agencies and protective services industry, which has increased employment by 4.2 percent per year, adding 5,600 new jobs over five years.

Boom-related superstars: Most of the industry superstars gained jobs steadily, but some exploded in the beginning of the five-year period and have since leveled off. Several Texas industries related to real estate blossomed in the mid-1980s, only to experience falling employment in the aftermath of the boom years.

Overall, real estate agents, brokers and managers increased employment by 6.3 percent per year between 1983 and 1988, with total jobs moving from 25,100 to 34,100—a cumulative performance qualifying for superstar status. But employment in this industry peaked at nearly 38,200 in the first quarter of 1986 and has since fallen.

Similar patterns have affected the state's savings and loans associations and mortgage bankers, which are closely linked to the fortunes of Texas' real estate and construction markets.

Between 1983 and 1988, the mortgage industry grew at an annual rate of 10.1 percent and created 5,000 jobs. Savings and loans also registered net gains, with 9.3 percent annual growth and 8,000 new jobs. But employment in both industries has dropped since the collapse of the Texas real estate market.

The only real estate-related superstar that experienced steady growth throughout the 1983-88 period was the real estate operator and lessor industry, businesses that manage offices, apartments and other property. Employment in this sector grew by 12,200 jobs in five years, a 4.8 percent average annual growth rate.

Resilient economy: While the superstar industries prospered, much of the Texas economy stagnated in the 1980s, hurt by falling oil prices and the devastation of the real estate market.

But the superstars managed to thrive during the recession, adding employment at a 6.7 percent annual rate compared to only 1.4 percent annual growth for the state economy as a whole. And today, the state's high-tech and service industry superstars are leading Texas to record employment and a revitalized economy. At the end of 1988, Texas nonfarm employment hit an all-time high of 6.71 million, exceeding the previous peak of 6.68 million set at the end of 1985.★

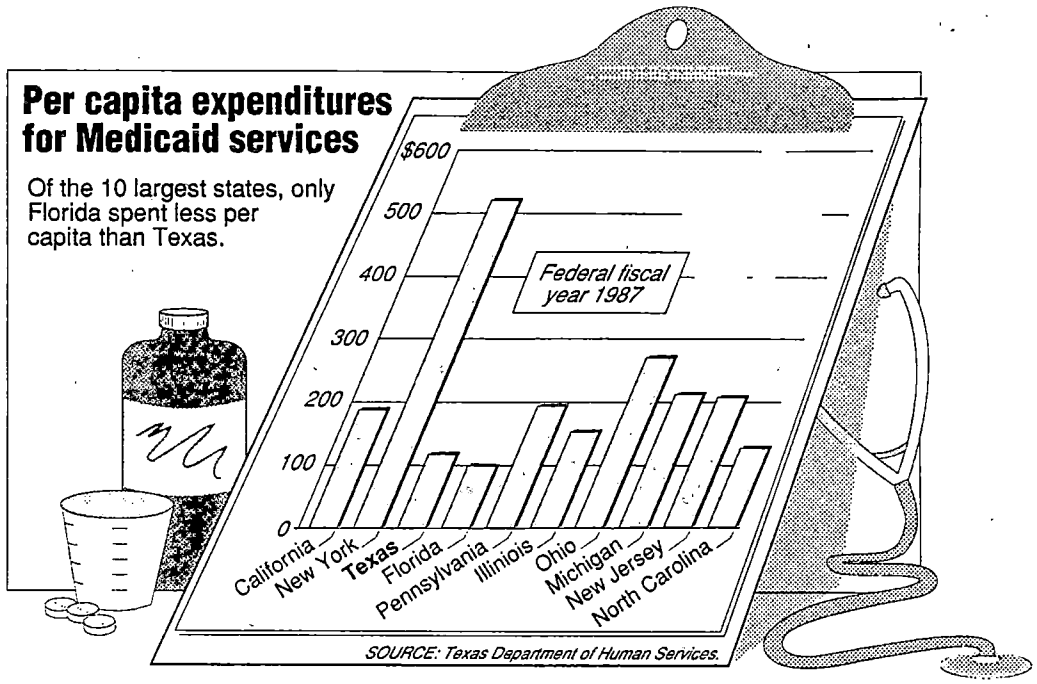
Health spending could boost Texas' share of federal grants

Compared to other states, Texas gets a relatively poor return on the tax dollars it sends to Washington, and the disparity is especially dramatic in federal grants to Texas state and local government.

In 1987, Texas received only $1 in grants from the federal government for every $1.41 sent to Washington. New York paid only 75 cents to get the same federal dollar. In fact, Texas ranked 49th among states in this rate of return.

"Clearly, we're not getting our fair share of federal aid," said Bob Bullock, Texas Comptroller of Public Accounts.

Legislative proposals by the Comptroller's Office would allow the state to capture more federal aid money for Texas' poorest citizens. These proposals would raise the state's cigarette tax and direct the additional revenue—$166 million—to the state's Department of Human Services (TDHS). This additional spending by TDHS could win Texas $274 million more in federal matching funds for vital health and social programs.



Funding lags: One major reason for Texas' poor showing in federal grant money is the way the state funds many of its health and social programs.

Unlike other states, Texas pays much of the tab for indigent health care through programs funded *entirely* by state and local dollars. This situation is largely due to the patchwork manner in which these programs evolved. Relatively little of Texas health spending is channeled through the state's Medicaid program and other state programs that are eligible for matching grants of federal funds.

In 1987, Texas ranked 43rd in the nation in its per capita Medicaid expenditures, at $114.90 per person. Less than 29 percent of all Texans living in poverty are covered by Medicaid. Texas is 47th among states by this measure. By comparison, California covers more than 86 percent of its poor population.

Texas' Medicaid program also does not cover many types of treatment commonly provid-

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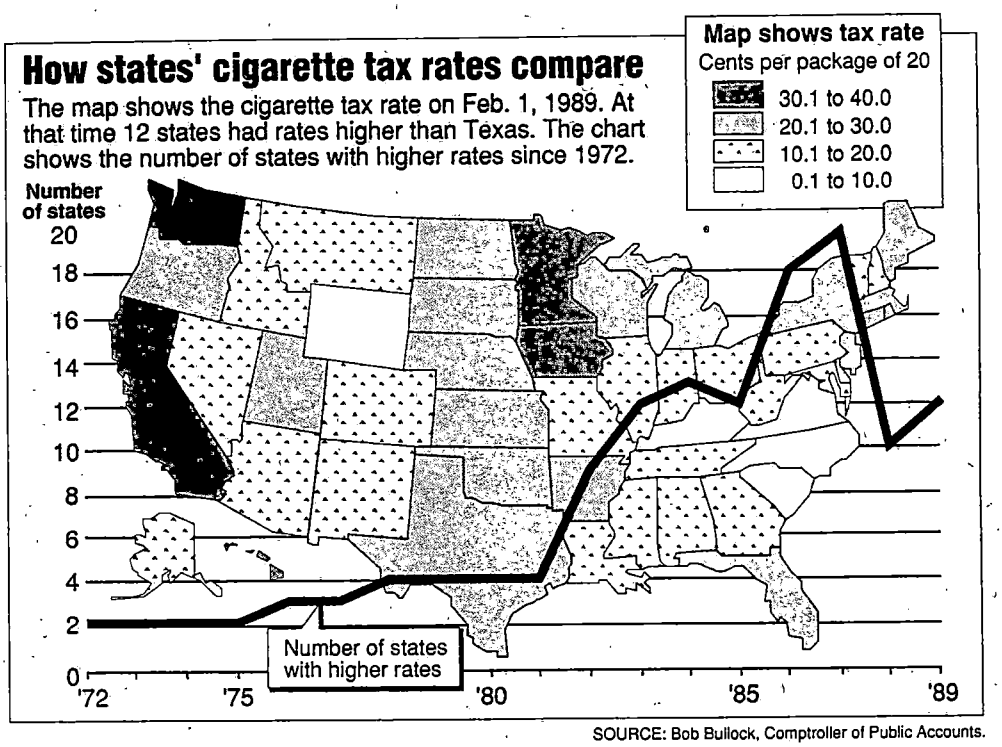
"Clearly, we're not getting our fair share of federal aid," said Bob Bullock, Texas Comptroller of Public Accounts.

How states' cigarette tax rates compare

The map shows the cigarette tax rate on Feb. 1, 1989. At that time 12 states had rates higher than Texas. The chart shows the number of states with higher rates since 1972.



SOURCE: Bob Bullock, Comptroller of Public Accounts.

ed in other states. For example, Texas' Medicaid does not cover outpatient clinic services, but 47 other states do.

Similarly, most states provide psychiatric care for the elderly and for children in state mental hospitals under Medicaid, but Texas pays for these types of care entirely with state dollars, through the Texas Department of Mental Health and Mental Retardation.

And Texas' Medicaid reimbursement rates for doctors and hospitals —the amounts paid to health care practitioners for medical services provided under Medicaid—are so low that they strain the financial ability of some Texas hospitals to provide indigent health care.

The plan: Today, the Texas cigarette tax is 26 cents per pack. Twelve other states have higher rates. Under the Comptroller's proposals, the tax would be raised by seven cents, to 33 cents per pack. Some other tobacco taxes also would be increased by an equivalent amount (about 27 percent.)

This increase would give Texas the fourth-highest cigarette tax in the nation, about where it stood in the 1970s. (Texas actually had the third-highest rate throughout much of the decade, and was consistently in the top five until 1982.) This ranking may be expected to fall, since at least 15 other

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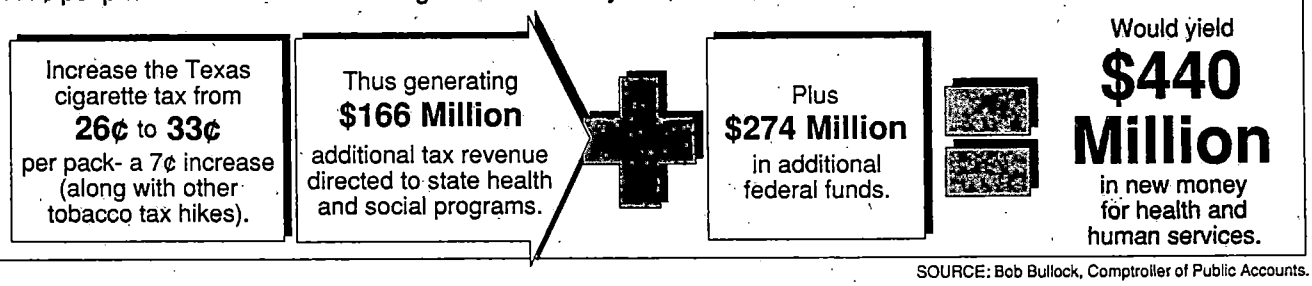
How the plan works

A 7¢ per pack increase in the Texas cigarette tax would yield $440 million for health and human services.



SOURCE: Bob Bullock, Comptroller of Public Accounts.

Texas production and consumption indicators

(Amounts in millions)

Year and month	Crude oil Bbls.	Crude oil Value	Natural gas MCF	Natural gas Value	Motor fuel Gallons Gasoline	Motor fuel Gallons Diesel	Cement Tons	Cigarette pkgs. taxed	Auto sales net value
1987									
January	62.0	$ 1,008.9	452.6	$ 634.2	650.9	110.7	0.69	147.9	$ 1,102.0
February	56.2	934.3	410.3	570.9	596.6	111.9	0.60	120.0	1,164.8
March	63.0	1,049.4	442.2	609.0	700.9	135.4	0.79	128.8	1,356.9
April	60.5	1,019.1	436.7	583.2	697.7	124.6	0.82	136.5	1,377.4
May	60.5	1,054.3	429.5	560.7	690.6	120.4	0.66	135.0	1,347.0
June	58.8	1,060.4	420.5	539.9	691.6	129.4	0.65	159.3	1,548.8
July	60.7	1,151.3	414.9	544.4	742.7	124.6	0.79	163.6	1,521.9
August	59.8	1,142.0	422.3	544.7	715.2	120.6	0.73	160.4	1,579.3
September	58.5	1,062.1	410.5	509.4	684.7	129.0	0.69	158.7	1,229.0
October	60.8	1,100.4	426.7	533.1	744.5	156.3	0.79	130.5	1,016.0
November	57.8	1,028.3	430.9	564.0	665.1	109.4	0.59	97.8	1,163.3
December	59.7	994.6	497.7	667.3	717.0	124.0	0.58	143.8	1,149.0
Total	718.3	$12,605.1	5,194.7	$6,860.9	8,297.5	1,496.3	8.38	1,682.3	$ 15,555.4
1988									
January	59.8	$ 950.7	456.2	$ 732.6	630.3	111.7	0.52	122.0	$ 1,150.0
February	56.2	884.6	464.9	680.8	649.6	113.8	0.57	124.2	1,364.6
March	60.2	908.3	450.5	637.2	731.2	133.3	0.69	132.1	1,448.5
April	57.8	931.4	413.4 r	555.9 r	699.5	114.2	0.69	125.8	1,433.7
May	58.5	961.1	422.4 r	522.0 r	722.2	115.4	0.71	139.5	1,524.0
June	57.0	896.1	408.4 r	527.1 r	723.3	133.4	0.70	141.3	1,405.4
July	57.8	828.1	422.2 r	559.2 r	718.8	117.2	0.62 r	124.7	1,512.5
August	58.4 r	829.8 r	434.5 r	606.7 r	741.9	125.9	0.67 r	134.9	1,217.2
September	51.8 e	702.4 e	408.6 e	596.6 e	691.2	131.7	0.59 r	141.6	1,414.1
October	47.0 e	596.0 e	421.5 e	632.3 e	693.2	123.8	0.61	132.4	1,206.2
November	52.1 e	644.5 e	423.5 e	647.9 e	698.1	123.7	0.57	129.3	1,127.9
December	53.9 e	752.4 e			720.5	133.1	0.52	140.2	1,359.1
Total	670.5 e	$ 9,885.4 e	4,726.1 e	$6,698.3 e	8,419.8	1,477.2	7.47	1,588.0	$ 16,163.2
1989									
January	49.8 e	$ 795.4 e			609.9	121.5	0.49	128.9	$ 1,241.5
February								103.4	
Total	49.8 e	$ 795.4 e			609.9	121.5	0.49	232.3	$ 1,241.5

e – estimated r – revised

Note: Crude oil and natural gas show taxable production and net taxable value for the production month. Totals may not add due to rounding.

SOURCE: Bob Bullock, Comptroller of Public Accounts.

states are currently considering raising their cigarette tax rates.

The proposed increase would generate $166 million in additional tax revenue during the 1990-91 state budget period.

This additional $166 million would be directed to TDHS, for use in state programs that are eligible for more federal aid. This would bring another $274 million in federal funds to Texas during 1990-91. Essentially, Texas could more than double its money from the rate increase by taking better advantage of federal aid.

This increased medical spending could partially offset the tremendous medical costs of smoking. In recent years, a number of states have attempted to estimate these costs; the Texas Department of Health (TDH) has estimated that expenditures for the prevention, diagnosis and treatment of smoking-related diseases and medical conditions exceed $1.6 billion annually in Texas.

TDH also estimates that lost income and productivity for individuals who are disabled by or die prematurely from smoking totals $1.7 billion a year.

The benefits: The $166 million in state tax revenue, combined with the $274 million in federal aid, adds up to $440 million in new money for health and human services. This money could be put to work in several different ways, including:

- changing Medicaid eligibility to give more low-income, pregnant women, children and nursing home residents access to health services;
- expanding Medicaid coverage to more types of treatment;
- raising Medicaid reimbursements to doctors and hospitals, and
- expanding the state's Aid to Families with Dependent Children program.

These proposals would allow the state to finance significant improvements in state health care at a relatively low price. In effect, Texas can earn nearly two extra dollars in federal aid for each dollar of additional cigarette tax revenue, and use them to benefit the state's neediest citizens.★

State of Texas

February statement of cash condition[1]

(Amounts in millions)

	General revenue	Special funds	Total cash
Beginning cash balance February 1, 1989	$ 730.4	$1,527.3	$2,257.7
Revenue/expenditures			
Revenue	947.7	922.2	1,869.9
Expenditures	-486.8	-945.6	-1,432.5
Net income (outgo)	460.8	-23.4	437.4
Net interfund transfers and investment transactions	-458.1	196.6	-261.5
Total transactions	2.7	173.2	175.9
Ending cash balance February 28, 1989[2]	$ 733.1	$1,700.5	$2,433.7

[1]Cash stated is Comptroller's Office Book Cash and may vary from cash deposited with the Treasury. Net amounts shown (less refunds) exclude some transactions not cleared through the Comptroller's Office. Suspense and Trust Funds are included as are unemployment compensation trust funds collected by the state but held in the Federal Treasury. Totals may not add due to rounding.
[2]The ending General Revenue Fund balance includes $947.6 million borrowed from other state funds for cash flow management.

SOURCE: Bob Bullock, Comptroller of Public Accounts.

State revenue[1] All funds

(Amounts in millions)

	Monthly revenue	Year-to-date September 1988 - February 1989	
	February 1989	Revenue	Percent change from last FY[4]
Tax collections by major tax			
Sales tax	$ 619.1	$ 3,465.7	15.8%
Oil production tax	10.4	190.5	-31.7
Natural gas production tax	61.1	308.8	25.6
Motor fuels taxes (gasoline, diesel, LPG)	38.5	672.9	-6.5
Motor vehicle sales tax	72.8	459.5	7.4
Franchise tax	8.0	-74.9	-533.9
Cigarette and tobacco taxes	28.4	210.4	4.6
Alcoholic beverages taxes	23.2	159.3	1.3
Insurance companies tax	1.4	122.9	55.6
Utility taxes[2]	36.3	83.8	0.9
Inheritance tax	3.1	56.8	9.2
Telephone tax	0.0	7.6	-33.5
Hotel and motel tax	12.4	51.1	30.8
Other taxes[3]	1.1	14.4	22.8
Total tax collections	$ 915.8	$ 5,728.7	7.8%
Revenue by receipt type			
Tax collections (detail above)	$ 915.8	$ 5,728.7	7.8%
Business/professional fees	13.1	92.6	-3.4
Noncommercial permits and licenses	62.3	497.1	5.7
Violations, fines and penalties	8.6	46.6	9.4
State service fees	23.9	143.5	10.2
Sales, rental and repayments of goods and services	14.3	76.7	3.4
Federal receipts	393.6	2,388.1	7.4
Interest/dividends	314.9	1,582.7	9.3
Land income	23.2	133.2	-11.6
Other receipts	100.0	501.3	39.5
Total revenue	$1,869.9	$11,190.6	8.5%

[1]Excludes some revenue not cleared through the Comptroller's Office. Totals may not add due to rounding.
[2]Includes the Utility, Gas Utility Administration and the Public Utilities Gross Receipts taxes.
[3]Includes the Ad Valorem, Cement and Sulphur taxes and other occupation and gross receipts taxes not separately identified.
[4]Due to accounting changes, some percentages are based on different data than reported in the last fiscal year.

SOURCE: Bob Bullock, Comptroller of Public Accounts.

State expenditures by object[1]
All funds
(Amounts in millions)

Objects	Monthly expenditures February 1989	Year-to-date September 1988 - February 1989 Expenditures	Percent change from last FY
Salaries and wages	$ 360.1	$ 2,083.0	8.2%
Other personal services	207.2	1,085.7	10.6
Consumable supplies and materials	25.2	146.6	-8.5
Current and recurring operating expenses	56.8	362.8	5.7
Assistance and medical care for the needy	252.3	1,363.4	5.7
Foundation school program grants	213.0	2,363.4	1.3
Other public education grants	62.2	470.6	23.4
Grants to higher education	5.3	236.2	1.3
Other grants	71.8	431.2	15.6
Payment of principal on indebtedness	0.1	83.9	-56.5
Payment of interest and other claims	4.2	164.5	-3.3
Capital outlay for highways	113.2	848.9	1.7
Capital outlay for land and buildings	32.4	154.9	28.1
Other capital outlay	28.6	250.7	-5.0
Total expenditures	$1,432.5	$10,045.7	4.6%

[1]Excludes some expenditures not cleared through the Comptroller's Office. Totals may not add due to rounding.

SOURCE: Bob Bullock, Comptroller of Public Accounts.

State expenditures by function[1]
All funds
(Amounts in millions)

Category	Monthly expenditures February 1989	Year-to-date September 1988 - February 1989 Expenditures	Percent change from last FY[2]
Administrative			
Executive departments	$ 45.0	$ 266.1	0.8%
Business regulatory commissions	17.2	95.1	28.3
Legislative	5.3	27.7	9.7
Judicial	4.3	25.7	2.6
Total	$ 71.7	$ 414.7	7.2%
Services			
Welfare	$ 297.6	$ 1,635.4	6.5%
Mental health, state homes and corrections	123.4	679.0	21.0
Health and sanitation	28.0	166.8	10.0
Law enforcement	14.7	89.0	4.2
Total	$ 463.7	$ 2,570.2	10.1%
Improvements			
Highway maintenance and construction	$ 180.6	$ 1,272.0	0.1%
Natural resources	13.9	84.6	6.3
Parks and monuments	8.9	63.0	7.4
Total	$ 203.4	$ 1,419.6	0.8%
Education			
Support to state and local education	$ 469.9	$ 4,199.0	3.9%
State contribution to teacher retirement	65.9	411.4	3.0
Total	$ 535.8	$ 4,610.4	3.8%
Other Expenditures			
Grants to political subdivisions and others	$ 71.8	$ 431.2	15.6%
Payment of public debt	4.2	248.2	-31.5
Social security contribution	47.4	231.8	7.8
State contribution to employee retirement	32.3	103.2	58.2
Miscellaneous	2.0	16.5	-6.3
Total	$ 157.8	$ 1,030.9	-0.2%
Total expenditures	$1,432.5	$10,045.7	4.6%

[1]Excludes some expenditures not cleared through the Comptroller's Office. Totals may not add due to rounding.
[2]Due to accounting changes, some percentages are based on different data than reported in the last fiscal year.

SOURCE: Bob Bullock, Comptroller of Public Accounts.

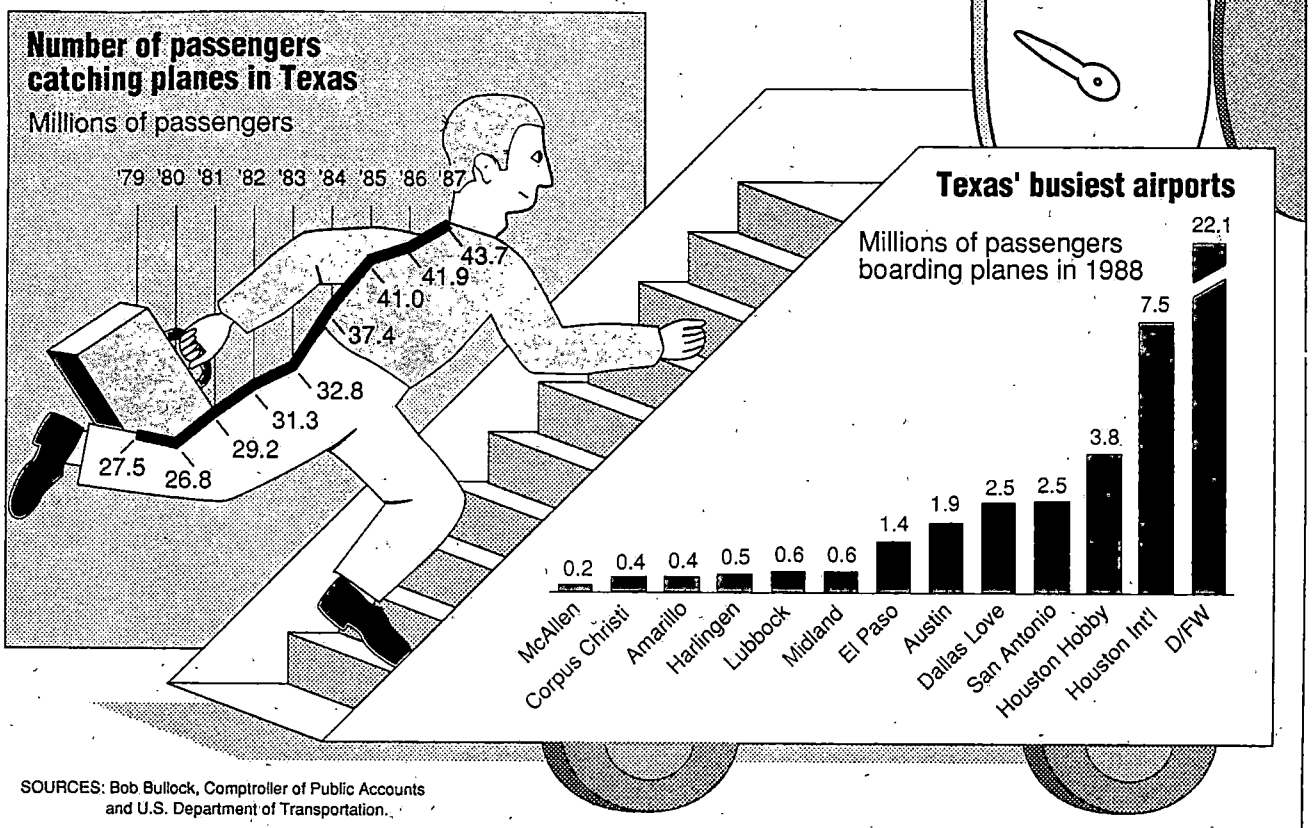
Passengers taking off in record numbers

Texas at a Glance

The number of passengers flying through Texas airports has soared in recent years and 1988 was no exception as 44.5 million passengers flew out of the state's 13 largest airports.

Dallas-Fort Worth International Airport continues to be one of the world's busiest airports. More than 22.1 million passengers boarded planes at D/FW in 1988.

Total passenger traffic at Texas' 36 largest airports rose from nearly 27.5 million in 1979 to 43.7 million in 1987—a 37.1 percent increase.



SOURCES: Bob Bullock, Comptroller of Public Accounts and U.S. Department of Transportation.

FISCAL NOTES

Economic Analysis Center

For additional copies write:
Bob Bullock, State Comptroller
Economic Analysis Center
P.O. Box 13528, Capitol Station
Austin, TX 78711

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MR. RANDALL H. ERBEN
DEPUTY DIRECTOR & GENERAL COUNSEL
OFFICE OF STATE-FEDERAL RELATIONS
INTERAGENCY

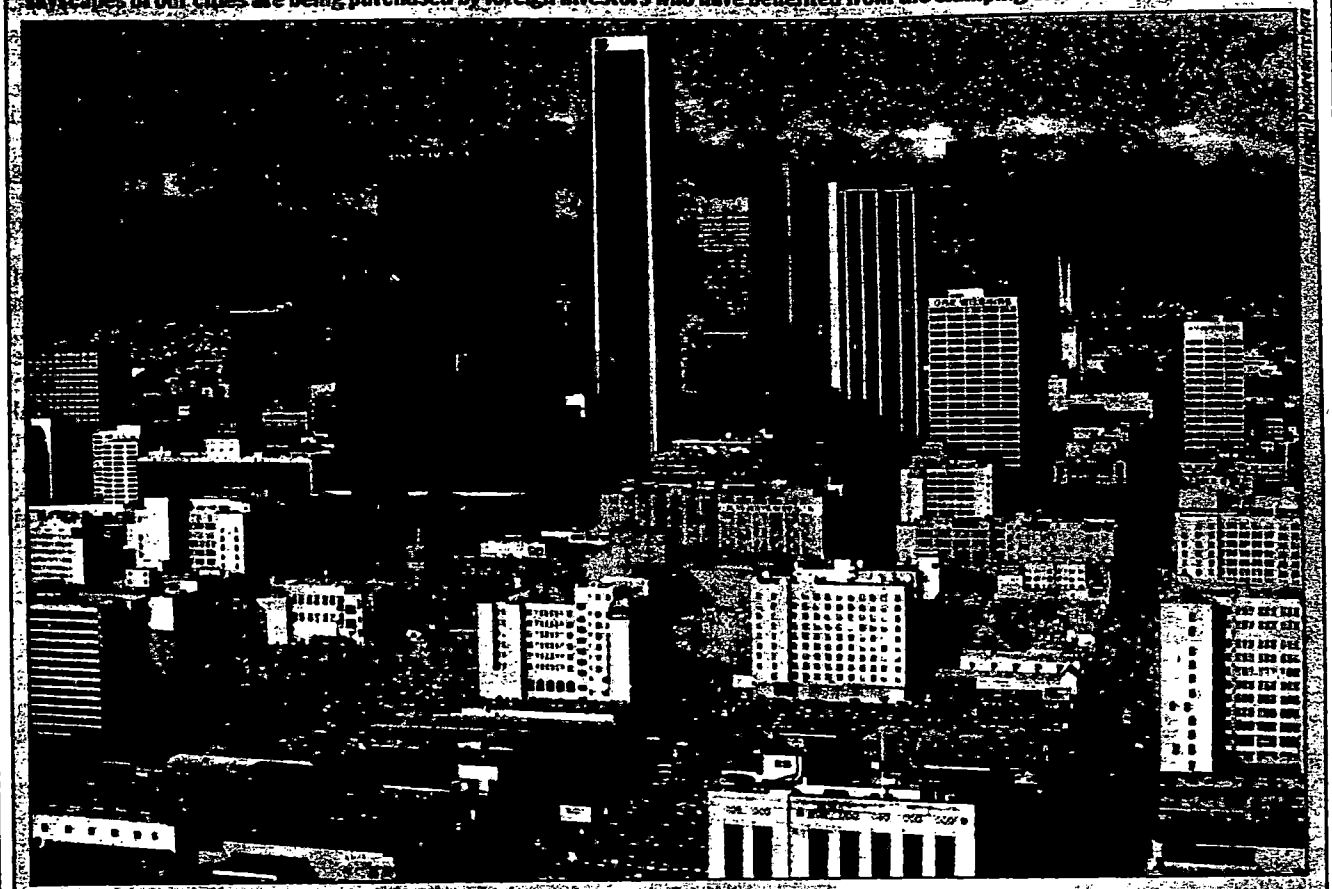
Brent Peterson

Jack Anderson: We must act now

I believe America can meet any challenge to remain leader. But we must speed up our pace from slow m time. The schools must improve education; the wo improve productivity; the plants must improve thei We owe it to our children to pass on to them, intact, precious inheritance—the American heritage.

Who Owns Los Angeles?

About 64 percent of the real estate in downtown Los Angeles is owned by foreigners, much of it by people in Tokyo, London, Bonn and Toronto. So is 39 percent of Houston, as well as a third of the office space in Minneapolis. Increasingly, the towering buildings that form the familiar skyscapes of our cities are being purchased by foreign investors who have benefited from the slumping U.S. dollar.



States actually bid against one another—offering incentives and subsidies—to attract foreign investors. Below is a breakdown, in billions of dollars, of foreign-owned plants, property and equipment in all 50 states and the District of Columbia, as of 1986.

Texas	$40,324,000,000	Oklahoma	5,172,000,000	Kansas	2,158,000,000
California	37,017,000,000	Colorado	4,881,000,000	New Mexico	2,132,000,000
New York	18,016,000,000	Minnesota	4,462,000,000	Hawaii	2,013,000,000
Illinois	15,134,000,000	Massachusetts	4,038,000,000	Oregon	1,671,000,000
Louisiana	13,562,000,000	Arizona	4,006,000,000	Montana	1,597,000,000
Florida	11,057,000,000	Kentucky	3,959,000,000	Iowa	1,555,000,000
New Jersey	10,606,000,000	Alabama	3,506,000,000	Maine	1,373,000,000
Ohio	9,530,000,000	Missouri	3,487,000,000	District of Columbia	1,362,000,000
Florida	9,487,000,000	Washington	3,388,000,000	North Dakota	1,362,000,000
Pennsylvania	9,293,000,000	Wisconsin	3,187,000,000	Nevada	1,301,000,000
Georgia	8,611,000,000	Indiana	3,153,000,000	Arkansas	1,148,000,000
North Carolina	8,270,000,000	Maryland	2,931,000,000	New Hampshire	764,000,000
Michigan	7,272,000,000	Delaware	2,901,000,000	Rhode Island	474,000,000
South Carolina	5,744,000,000	Wyoming	2849,000,000	Vermont	454,000,000
Virginia	5,529,000,000	Utah	2620,000,000	Nebraska	400,000,000
West Virginia	5,261,000,000	Mississippi	2,416,000,000	South Dakota	393,000,000
Tennessee	5,192,000,000	Connecticut	2,381,000,000	Idaho	382,000,000

Source: Washington Business Information, Inc.

04-07-89

TEXAS AND U.S. LABOR FORCE ESTIMATES

STATE OF TEXAS -- ACTUAL

	CIVILIAN LABOR FORCE	EMPLOYMENT	UNEMPLOYMENT	RATE
MAR 1989	8,159,500	7,641,600	517,900	6.3
FEB 1989	8,150,500	7,556,500	594,000	7.3
MAR 1988	8,138,700	7,466,900	671,800	8.3

STATE OF TEXAS -- SEASONALLY ADJUSTED

	CIVILIAN LABOR FORCE	EMPLOYMENT	UNEMPLOYMENT	RATE
MAR 1989	8,283,000	7,788,000	495,000	6.0
FEB 1989	8,254,000	7,703,000	551,000	6.7
MAR 1988	8,254,000	7,605,000	649,000	7.9

UNITED STATES -- ACTUAL

	CIVILIAN LABOR FORCE	EMPLOYMENT	UNEMPLOYMENT	RATE
MAR 1989	122,222,000	115,844,000	6,378,000	5.2
FEB 1989	121,906,000	115,023,000	6,883,000	5.6
MAR 1988	119,957,000	112,867,000	7,090,000	5.9

UNITED STATES -- SEASONALLY ADJUSTED

	CIVILIAN LABOR FORCE	EMPLOYMENT	UNEMPLOYMENT	RATE
MAR 1989	123,264,000	117,136,000	6,128,000	5.0
FEB 1989	123,181,000	116,853,000	6,328,000	5.1
MAR 1988	120,936,000	114,129,000	6,807,000	5.6

MAR 1989 U.S. EMPLOYMENT RATE -- INCLUDING MILITARY -- 5.1% (ACTUAL), 4.9% (SEASONALLY ADJUSTED). RESIDENT ARMED FORCES, U.S. -- 1,684,000.

THE STATEWIDE ACTUAL UNEMPLOYMENT RATE DROPPED A FULL PERCENTAGE POINT BETWEEN FEBRUARY AND MARCH. THE MARCH RATE WAS 6.3 PERCENT, DOWN FROM 7.3 PERCENT IN FEBRUARY AND TWO PERCENTAGE POINTS BELOW THE 8.3 PERCENT RECORDED IN MARCH 1988. IN MID-MARCH 1989, THERE WERE AN ESTIMATED 518,000 JOBLESS TEXANS, WHILE TOTAL EMPLOYMENT INCREASED TO 7,642,000. TOTAL EMPLOYMENT WAS UP OVER 175,000 FROM THE YEAR-AGO LEVEL. THESE FIGURES REFLECT CONTINUED IMPROVEMENT IN THE TEXAS ECONOMY. WHILE TWO CONSECUTIVE MONTHS OF DECLINING UNEMPLOYMENT ARE ENCOURAGING, IT IS STILL TOO EARLY TO KNOW IF THIS REPRESENTS A REAL UPTURN IN THE STATE'S ECONOMY.

THE SEASONALLY ADJUSTED TEXAS RATE ALSO DECLINED, DROPPING FROM 6.7 PERCENT IN FEBRUARY TO 6.0 PERCENT IN MARCH. THE CURRENT RATE IN THIS SERIES WAS ALSO CLOSE TO TWO PERCENTAGE POINTS BELOW THE YEAR-AGO RATE OF 7.9 PERCENT. THE U. S. ACTUAL UNEMPLOYMENT RATE ALSO DECLINED OVER THE MONTH, FROM 5.6 PERCENT IN FEBRUARY TO 5.2 PERCENT IN MARCH. THE SEASONALLY ADJUSTED U. S. RATE SLID DOWNWARD FROM 5.1 PERCENT TO 5.0 PERCENT -- THE LOWEST IT HAS BEEN SINCE DECEMBER 1973.

WILLIAM P. CLEMENTS JR.
Remarks
Sematech news conference
January 6, 1988
Austin

Sematech has found a home. And it's a homerun for Texas.

This project is great news for Texas. It's a tremendous boost for the Texas economy and has state, national and international implications.

Texans throughout our state should be proud of the many people who helped make this happen.

The Texas business community, the University of Texas System, the Texas Department of Commerce, the city of Austin and its chamber of commerce, and the Texas congressional delegation worked with my office in total cooperation and teamwork to bring Sematech to our state.

Our team's unfaltering efforts, sheer determination and just plain ol' hard work rightfully convinced Sematech directors that Texas is the place to be -- and Texas welcomes you, Sematech, with open arms.

More than anything, the decision by Sematech symbolizes the great opportunity and the long-term growth potential of the Texas economy. It illustrates what I have been saying for more than a year: The Texas economy is on the move, diversifying and strengthening.

We in state government are diligently working to convince new businesses and industries to locate in Texas. Our goal is clear: We want to help create new jobs for our citizens and a prosperous future for our children.

Sematech is one more step -- a great step -- on our path toward that end.

Sematech brings jobs, investment and a cutting-edge technology to Texas. Sematech will bolster the entire state's status in the field of high technology research and strengthen our manufacturing base.

It will make Central Texas a world-class research region. It will give us a leading edge as we compete for future high tech projects and businesses, as we press for a greater share of federal grants and research dollars. And, as a result, our state's attraction to university researchers will be enhanced.

(MORE)

Before I end, I want to once again commend the unified effort that made our proposal the cream of the crop in the national competition. This is a prime example of what leadership and bipartisan cooperation can accomplish when we put our minds to it.

I also want to thank Sematech for their confidence in our state. We are confident that you will succeed and are proud that you have selected Texas to be your home. We in Texas know you made the right choice.

This is a great way to start the new year.

SEMATECH

INNOVATION FOR AMERICA'S FUTURE

FOR RELEASE: Immediate

CONTACTS:
Jeanne Locke
For Sematech
(408) 973-9973
Reggie Bashur
Texas Governor's Office
(512) 463-1826

SEMATECH SELECTS AUSTIN, TEXAS

AUSTIN, TX., January 6, 1988...Sematech -- the industry consortium aimed at ensuring manufacturing excellence and leadership for the U.S. semiconductor industry -- announced today that it has selected Austin, Tx., as the location in which it will conduct its advanced research efforts.

Sematech also announced that the other 11 finalists (Arizona, California, Colorado, Florida, Massachusetts, Missouri, New Mexico, New York, North Carolina, Oregon and Wisconsin) will be awarded $50,000 planning grants to submit project proposals for university "centers of excellence."

Several will be chosen as "centers of excellence" for specific research disciplines. Other projects could also be identified at the university level later this year.

During the extensive site search, Sematech officials were continually impressed with the expertise shown in the fine university systems throughout the nation.

"These grants are one way to take advantage of that expertise and channel it so that it is useful to the industry," said

Charles E. Sporck, Sematech board chairman and president and CEO of National Semiconductor Corp.

Sematech also expects to have research and development involvement with several National Laboratories in support of Sematech's long-range goals.

Texas Governor Bill Clements welcomed Sematech to the state, saying, "Sematech is great news for Texas. It represents a project that has state, national and international implications and will be a tremendous boost for the Texas economy. The Texas business community, the University of Texas System, the Texas Department of Commerce, the city of Austin, and the Texas congressional delegation worked with me in total cooperation and teamwork to bring Sematech to Texas. We are confident you will succeed and are proud that you have selected our state to be your home. This is a great way to start the new year."

Mr. Sporck, in accepting the offer from the state, said, "We are extremely pleased with this offering and want to thank everyone involved in developing and presenting it. We look forward to joining you as neighbors.

"I also want to thank the hundreds of people who worked on proposals from many other states. We sincerely appreciate the invitations they offered. The bonus we found in the university system throughout the country greatly multiplies the Sematech effort here in Texas."

Key considerations in Sematech's decision to select the Austin site were the presence of an existing facility, extensive state and local government support as well as a strong financial

incentive package. This combined with an impressive planned relationship with the University of Texas provided Texas with a comprehensive and well-balanced proposal.

Sematech expects to begin occupying this facility in the first quarter of 1988, and to be processing semiconductor wafers before the end of the year.

The Sematech site selection committee -- composed of members of Sematech's board of directors -- was chaired by Sanford L. Kane, IBM general technology division vice president, industry operations. The committee solicited proposals from the governors of all 50 states. It studied the proposals and made its recommendations to the board of directors.

The board voted unanimously to accept the Texas offer.

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OFFICE OF THE GOVERNOR

FOR IMMEDIATE RELEASE
APRIL 7, 1989

CONTACT: REGGIE BASHUR
ROSSANNA SALAZAR
(512) 463-1826

TEXAS UNEMPLOYMENT LOWEST IN FOUR YEARS

Governor Bill Clements today said reports that the state's unemployment rate dropped to its lowest level in more than four years is "great news for the people of Texas."

The governor's remarks came in response to reports from the Texas Employment Commission, which today said that the statewide jobless rate, seasonally adjusted, fell in March to 6.0 percent -- the lowest its been since November 1984. Last month's unemployment rate is also 1.9 percentage points below the March 1988 posting of 7.9 percent.

The number of employed Texans in March grew to 7.788 million, second only to June 1988, which set a record with 7.853 million Texans employed.

"The hard work of the people of Texas is paying big dividends: jobs, jobs, jobs," Clements said. "Texas is on the move. Texas is back.

"Texas has shaken off the recession and is re-emerging as an economic force to be reckoned with."

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OFFICE OF THE GOVERNOR

THURSDAY, DECEMBER 22, 1988

CONTACT: REGGIE BASHUR
ROSSANNA SALAZAR
(512) 463-1826

REMARKS OF GOVERNOR BILL CLEMENTS
ANNOUNCING FRUIT OF THE LOOM'S EXPANSION TO TEXAS
AUSTIN

With me today is Bill Farley, chairman of Farley Industries and Fruit of the Loom Incorporated. We are also delighted to have with us Bill Card, the Mayor of Harlingen. Last week, Mayor Card and I met with John Holland, President and Chief Executive Officer of Fruit of the Loom, to convince the company to join the growing number of businesses that are rediscovering our many strengths in Texas.

I'm delighted to say that after considering a number of other sites across the nation, the world's largest producer of knit apparel has indeed decided to build a 38 million dollar textile mill in Harlingen.

This plant will bring 1,700 new jobs to Texas within five years and a total of 3,200 within a decade.

But the good news doesn't end there.

Fruit of the Loom's decision to expand to Texas represents our first success in a new and bold initiative to bring food and fiber processing to Texas.

Just two weeks ago, I called for Texas to underscore its standing as a leader in agribusiness by bringing more agricultural processing to our state. There's no reason why our raw goods should be exported to some other state for production, just as there's no reason why Texas can't create new jobs by processing more of our own and more of the nation's commodities. That's

MORE

exactly the point made by my Task Force on Agricultural Development when it issued its report earlier this month.

Well, Fruit of the Loom is going to help us keep our goods in Texas and foster new jobs for Texans.

For instance, the company will take this 300-dollar bale of Texas cotton, process it, and turn it into apparel valued at more than 3,000 dollars -- apparel that you see here on this product board.

That's increasing the value of this one bale of cotton by more than 10-fold -- and it's an expansion that ripples throughout the Texas economy.

Clearly, a significant opportunity exists to broaden our economy through this sector. Today, agribusiness accounts for less than 10 percent of the "total value added" to our Texas economy through processing and manufacturing. That's half of the national average of 20 percent. By reaching that average, Texas can create more than 250,000 new jobs for Texans and bolster our annual gross state product by 24 billion dollars.

Increasing our share of the nation's agricultural processing, creating jobs in Texas -- this is my highest objective for Texas agriculture and for our state's economic development. Afterall, we're America's number one producer of such easily processed goods as cotton, mohair and wool. And we rank in the top five in the production of many fruits and vegetables -- pecans, rice, onions and sweet potatoes, to name a few.

So why should we ship Texas' raw goods outside the state for processing and manufacturing when we can keep our commodities here in Texas and produce more jobs for our people?

Texas' raw materials used by Texas' workers to create Texas' products to foster Texas' economic vitality and Texas jobs -- that's what this is all about. It makes absolute economic sense to do just that. And now, just two

MORE

weeks after I kicked off this initiative with my Task Force, Fruit of the Loom is our first homerun.

In addition to the 3,200 direct jobs, the company's investment will trigger 4,200 indirect jobs; increase personal income by more than 122 million dollars a year; and expand the annual gross state product in Texas by nearly 447 million dollars.

As part of its annual production, the plant will take cotton valued at 13 million dollars and make 58 million pieces of apparel worth 120 million dollars.

Clearly, Fruit of the Loom recognizes our many strengths in Texas. Of course, our greatest assets include our proximity to Mexico and the potential of our maquiladora program. I'm happy to say that Fruit of the Loom hopes to open a twin plant in Mexico within the next few years -- a move made all the more feasible by their new location in Texas.

Mr. Farley, I know that our partnership will be a strong and successful one. And I couldn't be more pleased to count such a dynamic company as part of our growing Texas family. Fruit of the Loom is indeed a great American success story. In the past three years alone, the company's annual sales have skyrocketed by almost 100 percent to 1 billion dollars.

END

FACT SHEET
FRUIT OF THE LOOM, INC.
Integrated Textile Mill in Harlingen, Texas

- Fruit of the Loom, Inc., the world's largest producer of knit apparel, will build the **largest integrated textile and apparel manufacturing plant in Texas** at Harlingen.
  - **employ 1,700 Texans within five years, expanding to a total of 3,200 employees within ten years;**
  - **total investment in plant and equipment is $38 million.**
- The new Fruit of the Loom plant will process **48,000 bales of cotton valued at $13.2 million annually into 58 million pieces of knit apparel valued at $120 million.**
- This investment will have a major impact on the entire Texas economy, **creating an additional 4,200 indirect jobs, $122 million annual increase in personal income, and a $446.9 million increase in the State Gross Product.** (Source: Texas Department of Commerce).
- The **350,000 square foot plant,** located on a **92-acre site,** will generate in **excess of $20 million annual payroll.**
- Fruit of the Loom officials indicate that construction of the facility could begin in **early summer of 1989,** and will begin full operation within one year.
- Fruit of the Loom officials have expressed interest in future **expansion of the Harlingen facility** to include operations of a **maquiladora plant in Mexico.**
- The Fruit of the Loom product lines by percent of sales: 48% men's and boys' underwear, 39.2% activewear (knit tops and fleecewear), 5.7% women's and girls' underwear and 7.1% family socks.
- Fruit of the Loom, Inc. currently has **twenty-nine manufacturing and distribution facilities** located in the **United States, Canada and Europe employing over 23,000 people.** Employment has **grown over 40% in the last thirteen years.**
- The brand names used for marketing the knit apparel products include Fruit of the Loom, BVD, Screen Stars, Christian Dior Hosiery, Camp Hosiery and several other licensed characters utilized in children's underwear.
- Bill Farley is Chairman of Farley Industries, Inc., the parent company of Fruit of the Loom, Inc., and Jack Albertine is Vice Chairman of Farley Industries. John Holland is Chief Executive Officer of Fruit of the Loom, and Joe Medalie is Vice Chairman.

OFFICE OF THE GOVERNOR

DECEMBER 8, 1988

CONTACT: REGGIE BASHUR
ROSSANNA SALAZAR
(512) 463-1826

STATEMENT OF GOVERNOR BILL CLEMENTS
ANNOUNCING THE TEXAS EXPANSION OF FUJITSU AMERICA INC.
RICHARDSON

I'm delighted to be here today to offer a special word of welcome to Yasushi Nakamura, president of Fujitsu America Incorporated. Mr. President, we in Texas are known for our hospitality, and I can assure you that I speak for all Texans when I say we welcome you with open arms.

It's also my pleasure to recognize a Texan who gives so much of himself to our state and to our nation: Ross Perot. Ross, we're honored to have you with us today.

As Ross well knows, we in Texas are very proud of our great state. We're proud of our people and their accomplishments. For the past two years, those accomplishments have included nothing less than a dramatic upswing in our Texas economy.

Yes, the fortitude of our working men and women has put Texas back on center stage in the national economic picture. Without a doubt, our economy is on a roll and we're picking up speed, day by day.

From Sematech to the Super Collider to GTE, Texas is receiving strong and clear signs -- signs that tell us that the rest of the world is once again realizing that Texas has the climate necessary to nurture a growing business, to make a break-through in science or technology and, more importantly, to put down stakes, raise a family and build a future.

Today, we have one more such signal.

We are here today to announce another major economic development plum for Texas.

I am delighted to announce the decision by Fujitsu America to develop an 80 million dollar telecommunications research and manufacturing complex in Richardson. This new facility will be one of four major manufacturing plants that the Fujitsu America Group operates in the United States.

It will allow the company to employ 1,200 Texans by the end of 1992 and as many as 4,500 by the turn of the century when the second phase of the complex is completed.

The company's investment will also trigger the creation of over 7,800 indirect jobs. It will boost personal income by 298 million dollars a year and bolster the annual gross state product in Texas by 823 million dollars, according to economist Ray Perryman of Baylor University.

It's also important to note that Fujitsu plans to use this new plant to increase the use of American-made components in the manufacture of its products. As the president will tell you, about half of these components will come from companies located in Texas and other states across the nation.

Texas is currently America's second-largest exporter -- a position that will only be enhanced by Fujitsu's plans to export some of its Texas-made products worldwide.

Any way you look at it, Fujitsu is good for Texas. And, without a doubt, Texas is good for Fujitsu.

The Texas expansion of such a growing, future-oriented company is clearly indicative of the opportunity and potential within our state economy and of our growth as a major technological center.

Mr. President, your faith in Texas is well-placed. I know the Texas-Fujitsu partnership will be a great one. Together, we will indeed be partners in prosperity.

FACT SHEET

FUJITSU AMERICA, INC.
Telecommunications Center in Texas

1. Fujitsu expects to **employ 1,200** after completion of the $80 million manufacturing and office complex **in 1992** and to create an average of 365 jobs per year during the three-year construction phase. The company expects to **expand to 5,000 jobs** when the second phase is completed around the turn of the century.

2. Ray Perryman, economist with Baylor University, projects that the impact on the Texas economy when Fujitsu reaches its planned employment level of 5,000 jobs will be as follows:

   a. an additional **7,825 indirect jobs** for Texans generated by the 4,500 direct jobs;

   b. an increase of almost **$298 million in personal income per year;** and

   c. an increase of about **$823 million to the Gross State Product per year.**

3. The manufacturing facility will produce a variety of telecommunications and transmission products and systems, including cellular mobile telephones, local and long distance fiber optic transmission systems and digital cross connect products.

4. Fujitsu plans to **source approximately 50%** of its components from companies located in Texas and other states.

5. Employment functions will include administration, research and development, engineering, marketing and sales, manufacturing, customer support and technical education.

6. Fujitsu America, with revenues at the close of its last fiscal year (ending March 31, 1988) at approximately $1.2 billion, is the largest subsidiary of Fujitsu Limited, Japan's largest computer manufacturer and a world leader in semiconductor and telecommunications technology.

OFFICE OF THE GOVERNOR

FOR IMMEDIATE RELEASE
EMBARGOED UNTIL 12 NOON
OCTOBER 31, 1988

CONTACT: ROSSANNA SALAZAR
JAY ROSSER
(512) 463-1826

REMARKS BY GOVERNOR BILL CLEMENTS
ANNOUNCING FORMOSA PLASTICS CORP., U.S.A., EXPANSION TO TEXAS
PORT LAVACA

With me today, as you all know, is Senator Gramm. We are also honored to have with us the chairman of Formosa Plastics Group, Mr. Y. C. Wang, his wife and their family, including their son and daughter: Dr. Winston Wang, who is general manager of the plastics division of Formosa, and Susan Wang, who is assistant to the president of Formosa Plastics Corporation, U.S.A.

I can't help but think that it's highly appropriate that this is Halloween because Texas is in for a great treat!

What brings us to Port Lavaca today is a common goal -- the goal of creating new and better jobs for our people; of nurturing a stronger and more productive economy; and building a better future for our families and our children.

That goal is being met. From Texarkana to Midland to Point Comfort, the Texas economy is growing. Unemployment is down from last year and the year before. Personal income is up. Our manufacturing productivity is soaring. And Texas has created an average 342,000 more jobs during the first three quarters of 1988 compared to the same period in 1986.

Well, we have more good news. Today, we are here to announce another major step in our economic turnaround and another strong sign that the Texas economy is, indeed, on the move.

After considering a number of other sites across the nation, the U.S. division of Formosa Plastics has decided to invest in Texas and in our favorable business climate. Beginning next year, the company will begin construction on a 1.3 billion dollar production facility in Point Comfort -- the largest one-time investment by a petrochemical manufacturer in Texas' history.

Truly, this is a big day for Texas and a great day for Calhoun County!

MORE

Yes, Texas is a prudent investment. And I'm delighted that Chairman Wang agrees.

Formosa will bring 1,500 new and permanent jobs to Texas, and as many as 4,000 more during construction. The company's investment will also trigger the creation of nearly 8,000 indirect jobs. It will boost personal income by 230 million dollars a year and bolster the annual gross state product in Texas by 1.8 billion dollars.

Any way you slice it, Formosa will fuel our state's ongoing economic recovery.

To a large degree, this upswing is being led by a rebound in manufacturing, especially in the petrochemical industry. Spurred on, in part, by adjustments in the value of the dollar, the petrochemical sector is operating at near capacity along the Texas Coast.

Clearly, Formosa will further enhance our production, as well as strengthen our position as the nation's 2nd largest exporter of domestic goods. Seventy percent of the chemical products manufactured at this facility will be exported to markets worldwide.

Yes, the value of the dollar is a major factor in our recovery. But there's much more to it.

Texas is boldly moving forward with the heave-ho of our working men and women and public-private teamwork.

Since I first met with Chairman Wang, his family and his associates earlier this year, our team has been in action. From our legislative leaders in Austin and Washington to the Calhoun County Economic Development Corporation, from the Texas Department of Commerce to Secretary of State Jack Rains for his successful meeting with the chairman in Taiwan this month -- everyone pulled together in the best interest of our state. And Texas proved once again that side-by-side, we can build for tomorrow -- today.

But special recognition is due Senator Gramm. The senator was unfaltering in his efforts to bring Formosa to Texas, and he deserves a lion's share of the credit for getting us where we are today.

Texas owes all of you our highest gratitude.

Senator, before I turn this over to you, let me say a special word to the chairman.

Thank you Chairman Wang. Your confidence in Texas is well-placed. The entire state of Texas looks forward to a long and prosperous partnership with Formosa Plastics.

END

FACT SHEET

FORMOSA PLASTICS GROUP INVESTMENT

- Formosa Plastics Corporation, U.S.A. investment: **$1.321 billion** in a petrochemical manufacturing facility in Point Comfort, Texas.

- This investment decision by Formosa Plastics Corporation, U.S.A., a division of the Taiwan-based Formosa Plastics Group, will **employ 1,500 Texans** and will provide **3,000 to 4,000 jobs during the 3-year construction phase.**

- **The $1.321 billion investment is the largest one-time investment in a petrochemical complex in Texas history** (based upon records maintained by the Texas Air Control Board).

- This investment will have a major impact on the entire Texas economy, **creating over 7,800 indirect jobs, $230 million annual increase in personal income, and a $1.81 billion increase per year in the State Gross Product** (Source: Texas Department of Commerce).

- Formosa officials project that construction of the facilities **could begin as early as mid-summer or fall 1989,** and will take approximately three years to complete the construction of the facilities.

- The manufacturing complex will include **eight major plants** using state of the art technology in manufacturing chemical products. **Comprising over 600 acres,** the complex is located on a 1,500-acre tract and will include an electric cogeneration plant using gas-fired turbines.

- The complex will include a **680,000 metric ton ethane cracker,** as well as plants for the production of high-density polyethylene, linear low-density polyethylene, polypropylene, ethylene dichloride, caustic soda, and chlorine.

- **Seventy percent** of the products manufactured at this new Formosa Plastics complex will be exported throughout the world market.

- The Formosa Plastics Group was established in 1954 with the founding of Formosa Plastics Corporation in Taiwan. **Mr. Y.C. Wang** is chairman of Formosa Plastics Group; **Mr. C.T. Lee** is President of Formosa Plastics Corp. U.S.A.; **Susan Wang** is assistant to the president of Formosa Plastics Corp. U.S.A.; and **Dr. Winston Wang** is general manager of Nan Ya Plastics, a division of Formosa Plastics Group.

- Formosa Plastics Corporation, U.S.A. currently has three American plants producing vinyl chloride monomer (VCM) and polyvinyl chloride (PVC) resins located in Delaware City, Delaware; Point Comfort, Texas; and Baton Rouge, Louisiana.

- Major product lines include PVC resin and related products (the company's annual production capacity is 1.075 million metric tons, the largest in the world); man-made fiber and textile products; and lumber products such as plywood.

OFFICE OF THE GOVERNOR

FOR IMMEDIATE RELEASE
OCTOBER 31, 1988

CONTACT: JAY ROSSER
ROSSANNA SALAZAR
(512) 463-1826

INTERNATIONAL MANUFACTURING GIANT ANNOUNCES TEXAS EXPANSION

Governor Bill Clements and U.S. Sen. Phil Gramm announced today that Formosa Plastics Corp. U.S.A., part of a multinational chemical and plastics manufacturing conglomerate, will build a $1.3 billion production facility in Point Comfort, Texas.

Officials of Formosa Plastics have indicated that the manufacturing complex will employ 1,500 Texans. In addition, between 3,000 and 4,000 jobs will be created during the three-year construction project.

The Formosa Plastics project represents the largest one-time petrochemical manufacturing investment in Texas history.

The investment will have a significant impact on the Texas economy. An estimated 7,800 spinoff jobs are expected, along with a $230 million annual increase in personal income.

State economic analysts are projecting that the Formosa plant will increase the Gross State Product by $1.81 billion annually.

The decision by Formosa Plastics Corp. U.S.A., a division of the Taiwanese-based Formosa Plastics Group, caps months of intense recruiting work by Clements and Gramm. Also assisting in

the recruitment effort were the Texas Department of Commerce and the Calhoun County Economic Development Corporation.

Clements, Gramm and Y.C. Wang, chairman of Formosa Plastics Group, met in Austin today to finalize details of the project.

"The Formosa announcement is fantastic news," Clements said. "Formosa Plastics is contributing another chapter in our state's textbook economic recovery efforts. We've got a best-seller on our hands."

Gramm called the announcement "a clear sign that the Texas economy is building momentum. We're breaking new ground for a strong 21st century economy."

Clements said the rapidly rebounding Texas economy is proof that the state's economic development initiatives are working.

"A variety of companies, large and small, have selected Texas as the place to do business during the past 22 months," Clements added. "Two years ago people were writing the Texas economy off. With the Formosa announcement today, we've taken yet another giant step forward in our state's economic recovery.

"Formosa Plastics is a welcome addition to our rapidly expanding manufacturing base. It is another example of the strides we can make when state government leaders assume a teamwork approach to economic development."

Texas succeeded in its recruitment efforts because it convinced Formosa that Texas offers the greatest growth potential in the United States, Clements said.

Gramm called the Formosa decision a "rock solid indication that Texas is an international economic force to be reckoned with.

"There's a growing realization in Washington that the Texas economy is bouncing back.

"I'm proud to have played a role in bringing Formosa to Texas," he said.

Formosa Plastics Corp. U.S.A., currently has three American plants producing vinyl chloride monomer and polyvinyl chloride (PVC) resins. Those plants are located in Deleware City, Del., Point Comfort and Baton rouge, La.

The company's annual production capacity is 1.075 million metric tons, the largest in the world.

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OFFICE OF THE GOVERNOR

MONDAY, APRIL 10, 1989

CONTACT: REGGIE BASHUR
ROSSANNA SALAZAR
(512) 463-1826

REMARKS OF GOVERNOR BILL CLEMENTS
TO THE TEXAS DEPARTMENT OF COMMERCE "CITIES ON THE RISE" CONFERENCE
AUSTIN

I'm delighted to join the representatives of so many of our Texas "Cities on the Rise." You know, that theme, "Cities on the Rise," is taking hold across our state. But as optimism translates into action and growth, it's becoming more than just a catchy phrase. It's turning into new jobs and brighter futures for our people -- tangible results that add up to a solid economic upswing. And it's the hard-working men and women of our state who deserve all the credit for the improvement.

With your support, we've made great progress in recent years. In 1987, during the 70th Legislature, we laid the cornerstone for a new economic resurgence. Pressed on by a nagging recession and by the desire to take our state to new levels of opportunity and prosperity, we convinced our lawmakers to fortify an already strong business climate.

We passed landmark legislation creating the Texas Department of Commerce, granting tort relief and we started on the road to trucking deregulation. We cut away at the government red tape holding small business hostage and we created the Strategic Economic Policy Commission to help us plan for our future.

With our game plan set and with the able assistance of Ed Vetter, Bill Lauderback and the entire Commerce Department staff, we went into action. We went head-to-head nationally and internationally to attract major business to

our towns and cities. Together, we landed Sematech and Formosa Plastics, which is going into Point Comfort, the Super Collider and Fujitsu Telecommunications, Bausch & Lomb and Fruit of the Loom in Harlingen.

Then there were the hundreds of small businesses like Info Print in Spring, Kids Mart in Sugar Land and V.I.P. Boat manufacturing in Linden. That old saying, "The bigger the better," couldn't be further from the truth. These businesses and your cities are proving it wrong every day. In fact, 63 percent of all new jobs created in Texas in 1987 were produced by small business.

In all, Texas has created more than 300,000 new jobs in the past two years and believe me, we're not through yet.

Today our mandate for economic improvement is just as great as it was in 1987, if not more so. Yes, the recession is over, but the desire to create new jobs, to encourage new investments, remains. And, yes, unemployment is at its lowest level in more than four years, retail sales are up and the economy is growing at a healthy pace, but I am here to tell you that it's still not enough.

As President Reagan once said, "It lies in the very nature of freedom to promote growth and prosperity."

At this time of historic transition in our economic growth, it is imperative that we move ahead deliberately, but aggressively. This year we have set forth an ambitious agenda to do just that, to move Texas boldly forward.

During this legislative session, our goal is to provide tax incentives for job creation, to further streamline government regulations that hamper business, to make Texas even more competitive. Above all, we remain committed to our strong right-to-work laws and we stand steadfastly opposed to a

corporate or personal income tax. Good jobs, diversified growth and new opportunities are our priorities and I know they're yours as well.

As we prepare to enter the 21st century, Texas must be prepared to encourage job creators and corporate decision-makers to invest in Texas like never before. Ours must be a commitment to promote growth, not a retreat from growth; ours must be a promise to foster an environment that nurtures commerce, industry and, above all, a climate that nurtures our people.

The best place to start is with the reform of our workers' compensation system, which has businesses in Texas paying among the highest premiums in the nation and our workers receiving some of the lowest benefits.

As I travel across our nation as your governor, working to attract new business and industry to our state, I am invariably asked what Texas intends to do about this faulty system. My answer to them and to you here today is we're going to fix it. The status quo is not acceptable, not by any stretch of the imagination.

Our workers' compensation system must be state of the art. It must be a beacon that attracts business, not a siren that scares business off. We must not allow our current workers' compensation statute to pull the rug out from under the significant economic gains that we've made in the past two years.

Restoring sanity to this system, then, must begin with the elimination of the archaic trial de novo system and by strengthening the Industrial Accident Board. We must change lump-sum settlement procedures and allow self-insurance with adequate safeguards.

Comprehensive reform is clearly within our reach. I'm optimistic that we can bring premiums and benefits in line and enhance our competitiveness nationally and abroad. That's why my first official action this legislative

session was to declare the workers' compensation issue an emergency that warrants the Legislature's prompt attention.

Another critical area that demands decisive change is our state's product liability law system. In a recent survey, economist Ray Perryman of Baylor University found that the costs associated with Texas' liability laws have had a negative impact on job creation and already may be undermining our economy.

In his report, Mr. Perryman indicated that "3,200 Texas manufacturers -- employing 340,000 Texas workers -- claim to be considering stoppage of all manufacturing operations in Texas and/or moving to another state" because of our liability laws. In addition, the survey found that "3,000 Texas manufacturers have decided not to introduce a new product because of liability considerations, while 1,500 have discontinued an existing product for the same reason."

Certainly, lost opportunities for Texans is reason enough for change. But there's more. In its present form, the Deceptive Trade Practices Act has produced numerous frivolous lawsuits, swamping an already overburdened judicial system in our state.

I'm pleased to say that changes to this law are already working their way through the legislative process. It is our hope that by strengthening the original intent of the Act, we will return justice to the consumers that this law was written to protect and relieve Texas employers of an unfair burden.

Texas is no stranger to challenge. We learned long ago that success is tied not only to standing our ground, but to drawing on our strengths. Economically, our geographic location is one such resource, and it's an asset

that we should take greater pains to promote through a goods-in-transit exemption.

Such an exemption would free business inventories from property taxes when these goods are only in the state temporarily, a move that would make Texas even more attractive as a distribution center for the nation's commodities and bolster our manufacturing and maquiladora industries. Texas is clearly well-placed to benefit from these maquiladoras or twin plants.

Between June of '87 and June of '88, 129 new maquiladoras located along the Texas-Mexico border. That's a 27 percent increase in just one year, from 470 to 599 working plants. The benefit of this industry to Texas is great and the potential, even greater. Indeed, some 34,000 jobs could be created in our state if we capture just 25 percent of the maquiladora parts and supplies market.

A goods-in-transit exemption could help us reach that goal.

To provide a further incentive for job creation for all industries, large and small, we are asking the Legislature to speed up the scheduled phase-out of the sales and use tax now paid on manufacturing equipment. By providing refunds for a portion of the tax payments earlier, Texas can reap the benefits of job growth now, rather than later.

Thomas Jefferson once said, "I like dreams of the future better than the history of the past." Well, we must not let the dreams of our future be diminished by a lack of action. To remain competitive in today's advanced economy, it is vital that we place greater emphasis on specialized workforce training.

Preparing our citizens for today's highly skilled workplace, then, requires that we create a more substantial and flexible Workforce Development Incentive Program. With it, we can provide specific, fast-track training in

new and developing fields, and, at the same time, offer those industries our greatest incentive -- our talented people.

In sum, these are our economic goals for the 71st Legislature. More than simply a series of proposals, our agenda embodies our hope for the years to come. With your support it can be more than a strategy. It can give us a sharp edge as we compete nationally and internationally for new investments, as we work to underscore our base. It can mean more jobs, enhanced diversification and greater opportunities for all Texans. It can ready our state for another century of progress.

A healthy economy makes all things possible. With it, our people prosper, revenue is available for our schools and for human services. With it, we can turn our dreams into reality. When all is said and done, building a stronger Texas and nurturing a better future for our families is our common goal and will be our greatest achievement.

Let me conclude with this: I've talked to you about how far Texas has come and how far we can go. Critical to all of this is you and the cities that you represent. You offer ingenuity, leadership and the Texas can-do spirit, qualities that built and continue to strengthen our great state.

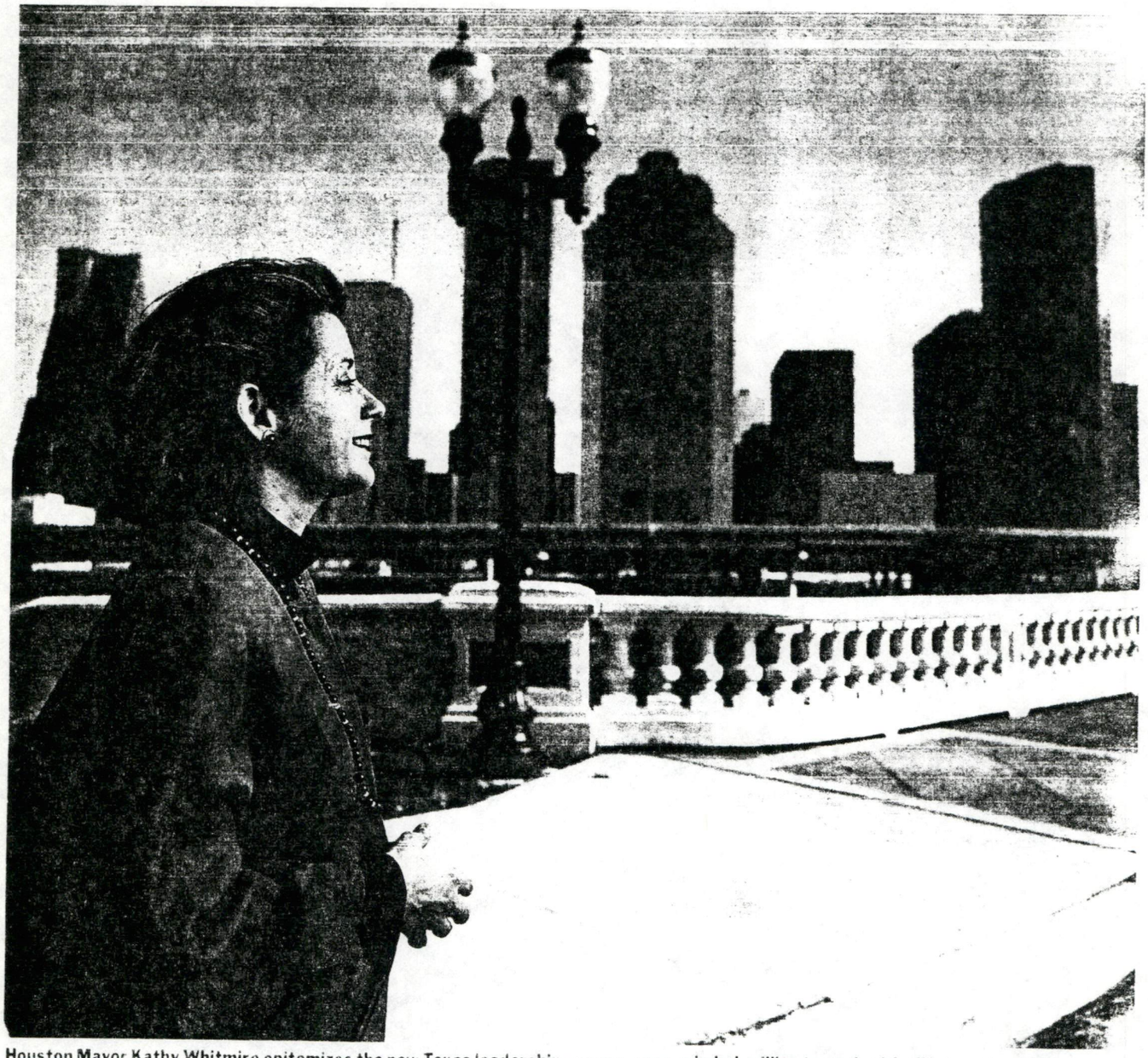
Together, shoulder-to-shoulder and with an eye toward the 21st century, we can reshape the face of Texas.

END

Press

TEXAS FACES UP TO A TOUGHER FUTURE

Swagger and grit were fine when the oil was gushing. Now Texas must deal with down-to-earth problems like an antiquated state government. ■ *by John Paul Newport Jr.*



Houston Mayor Kathy Whitmire epitomizes the new Texas leadership—young, open-minded, willing to work with all interest groups.

TEXANS these past few years have been feeling lower than a snake's belly in a wagon rut, but slowly they're returning to form. That is to say, they're bragging again. While taxpayers in the rest of the country grouse about all the money they have to ship in to bail out the state's savings and loans, Texans are talking about Fujitsu and GTE moving to Dallas, about Waxahachie winning the $4 billion superconducting supercollider, about biomedical company startups in Houston, and about a new computer consortium called Sematech choosing Austin as its home. "The phenomenal resilience of this state is astounding," rhapsodizes Governor William P. Clements Jr. in his office at the capitol in Austin. "In the two short years since Texas hit bottom, we have turned this economy around."

The comment should be commended more for its spirit than for its accuracy. The unemployment rate—7.1%—is indeed down almost three points from its peak in June 1986, and the gross state product should go up this year by 2.4%. But for a state that considers itself only temporarily off the fast track, a growth rate that slow and an unemployment rate 1.7 points above the nation's are hardly a solid turnaround.

Statistics are just a piece of the story. The oil and banking debacle has wiped out a big chunk of the state's business leadership. Ghostly buildings finished but never occupied remain a daunting reminder of past excesses. If a lot of Northern city slickers got suckered into financing the last Texas bubble, they will be all the more leery of funding the next one. And then come the *real* problems: a state government still mired in its rural past, a confused tax system, a C− education system, and insufficient effort to bring a growing Hispanic minority into the mainstream.

The state in many ways resembles a Third World nation, argues Bernard Weinstein, an economist at Southern Methodist University. Its prosperity remains significantly linked to a commodity, oil, whose price vacillates erratically with worldwide supply and demand. Its recovery depends to an uncomfortable degree on infusions of outside capital. To become self-reliant, Texas must above all learn to compete without the boost that oil has given it in the past. It must accept that for a while at least it will resemble other states far more than it will differ from them, forced to build brick-by-brick rather than gusher-by-gusher. "What really makes the recovery happen is an environment in which small-business people are willing to take risks," says Kathy Whitmire, mayor of Houston.

Ross Perot Jr. at his airport site: a chip off the old block or the new?

Most Texans acknowledge that some changes are required. But it may be that too many are counting too much on some quasimystical quality in the Texas personality—swagger, spunk, true grit—to pull the state through unaided. A number of state leaders point to Ross Perot Jr. as an example of how that old Texas brio can flourish in a new Texas era.

PEROT, 30, is the son of the data-processing billionaire, who is the closest thing Texans have these days to a hero. About two years ago young Perot decided to build himself an airport, a wildcat project really, right in the middle of the Dallas–Fort Worth Metroplex. It would be a new type of industrial airport, with a runway ringed by manufacturing plants that would receive raw materials and send finished goods, all by plane. Perot collared municipal officials, pulled strings, pushed through permits in double time, and cajoled neighboring landowners (including IBM) to donate rights of way for highways to serve the north Fort Worth facility. Now he expects the runway to open late this year—a miraculously brief three years after conception. Drawls Perot: "If a Texan wants to do something, he goes out and does it."

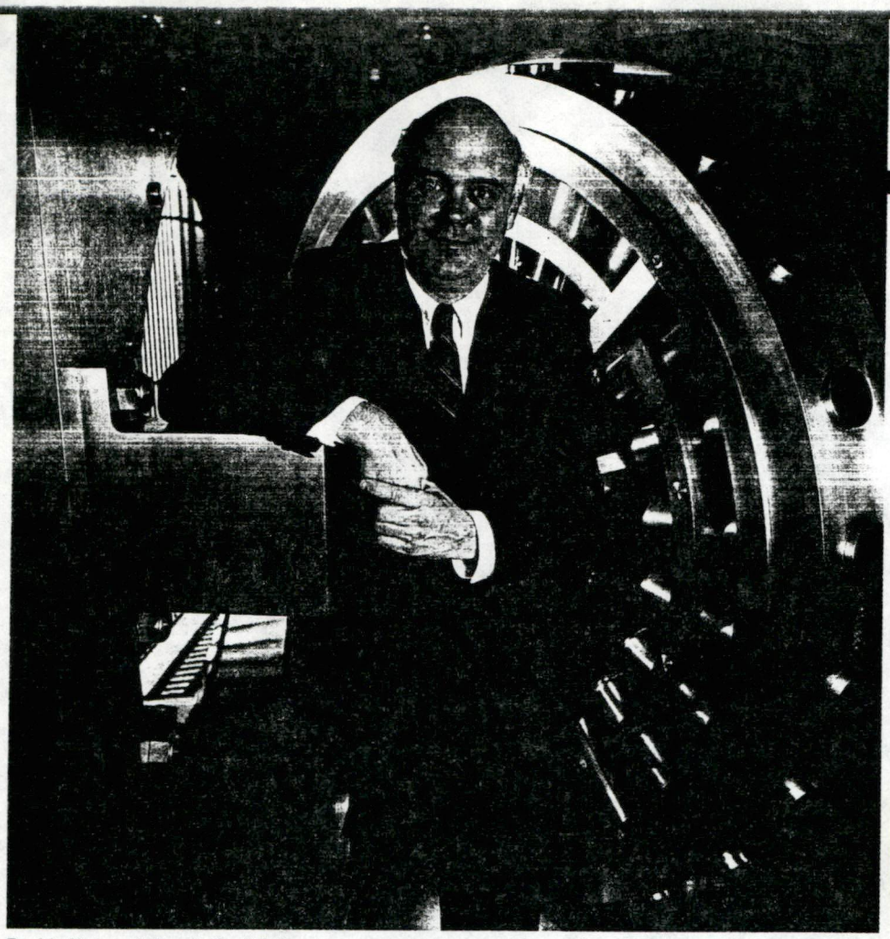
But the truth is that the airport, for all its potential, has yet to sign a paying tenant and has progressed as far as it has partly with the backing of Daddy's money. That makes it less a model for the new Texas than a vestige of the good old days. The money came from computers, but otherwise it's similar in nature to the aberrantly large sums that fueled Texans' speculations in the oil era and that will be rare in the days ahead.

It is difficult to exaggerate the role that oil has played in shaping Texas's sense of possibility. Wealth from oil has enriched the lives and lifestyles of millions of Texans, supplied more than a quarter of the state's tax revenue in recent years, and endowed a strong university system. Take away oil from Texas's past and you've got an oversize Mississippi. Take it away *suddenly*, as happened in the mid-1980s, and that famed Texas optimism collapses into a crisis of almost biblical proportion.

Oil and gas will continue to be a vital, if far less dominant, sector of the Texas economy for years to come. Energy today accounts for some 15% of the state's economic activity, making it more important to Texas than California's biggest industry, aerospace, is to that state. Houston's role as the world's energy capital seems secure as domestic drilling operations consolidate there and international exploration continues apace. The state has a 65-year supply of natural gas. Because it pollutes far less than other hydrocarbons, gas may enjoy a resurgence.

Nevertheless, the true future for Texas,

REPORTER ASSOCIATE *Rosalind Klein Berlin*



Buddy Kemp: A North Carolinian now watches the vault at the biggest little bank in Texas.

as for most states, lies in economic diversification. The chief advantages Texas brings to the competition are a strategic midcontinent location; superb highways, airports, and harbors; and a largely non-union labor force that is expected to grow smartly for decades. John Roach, chief executive of Fort Worth–based Tandy, ranks Texas's work ethic as its greatest strength. "And for all the negatives you hear about education, we've never failed to find the workers we needed in Texas, at every level and at competitive wages," he says. Indeed, the average hourly pay for factory workers in the state is $9.85, vs. more than $12 in some leading industrial states. Just north of the Mexico border, Texas factories generally offer $6 or less.

TEXAS ALSO has an enviable—and to some people surprising—technological base. Dallas–Fort Worth ranks among the top four regions in its concentration of high-tech industries (with Los Angeles, San Francisco, and Boston). Specialties include telecommunications, computers, precision instruments, and aerospace. Houston's petrochemical plants are running flat out, and exports through the ship channel are up 25% in the past two years. The area is also well positioned to become a leader in biomedicine, thanks to the 55,000-employee Texas Medical Center, and in space industries, thanks to the NASA Space Center.

The outbreak of braggadocio notwithstanding, Texans are still reeling. They see strange, out-of-state names on their banks. They leaf through page after page of newspaper ads hawking foreclosed properties. "We're still in a state of shell shock regarding the debacle of our financial institutions and real estate," avers Ray Hunt, one of oilman H. L. Hunt's 12 living children—one who *didn't* lose his money—and a Dallas civic leader. "Though I would predict this psychology, when it turns, could turn on a dime, for now I rank lack of confidence as Texas's biggest problem." Newspaper publisher Robert Decherd, chairman of Dallas's A.H. Belo Corp., says self-doubt is slowing the recovery: "If people don't believe change and progress are achievable, they won't invest. It's as if they're standing in the middle of an eddy, unsure of which way to go."

The disintegration of the state's banking and real estate industries has hurt badly. Account officers at banks spend their time working out bad loans rather than making new ones. Says Texas Attorney General Jim Mattox: "It's got to the point where you can get a loan only by proving that you don't need the money." Most seriously squeezed by the crunch have been small and medium-size companies that are unable to tap the money-center banks.

The worst of the problem is probably behind. Out-of-state concerns have now acquired four of the state's five major bank holding companies, and negotiations on the fifth, Dallas-based MCorp, are under way. Last July, NCNB, the North Carolina banking juggernaut, took over the biggest Texas financial institution, First RepublicBank in Dallas. After spending the first few months in the file room, NCNB now claims to be beating the bushes for new business. Buddy Kemp, the troubleshooter dispatched from North Carolina to run NCNB Texas, says the bank has $2 billion to $3 billion it would like to lend in Texas this year. He doesn't expect to find enough takers: "It's still a difficult, traumatized market."

REAL ESTATE is a sadder tale. Office vacancy rates in Dallas, Houston, and Austin still hover in the 30% range. Another round, probably the last, of large bankruptcies and foreclosures is possible this year. Many economists project that five to seven years must pass before the overhang disappears. That will slow related businesses.

Texas's most significant development effort goes into hustling desirable out-of-state businesses. Texas came late to company hunting, but now it's a religion. Notes Ray Perryman, a Baylor University economist and business consultant: "Every little town in the state now has some kind of organization, and they always ask, 'How can we bring high tech here?' Well, they probably can't, but they can get smarter about working with what they've got."

Texas has notched some recent victories. Last December, for instance, Fujitsu announced an expansion of its electronics factory near Dallas that will result in an additional 5,000 jobs, and Fruit of the Loom said it would build a plant in the Rio Grande Valley to employ 3,200 to make clothes. The plant is part of an effort to do more downstream processing of the raw materials the state produces: Texas is the nation's No. 1 cotton producer but has relatively few textile plants.

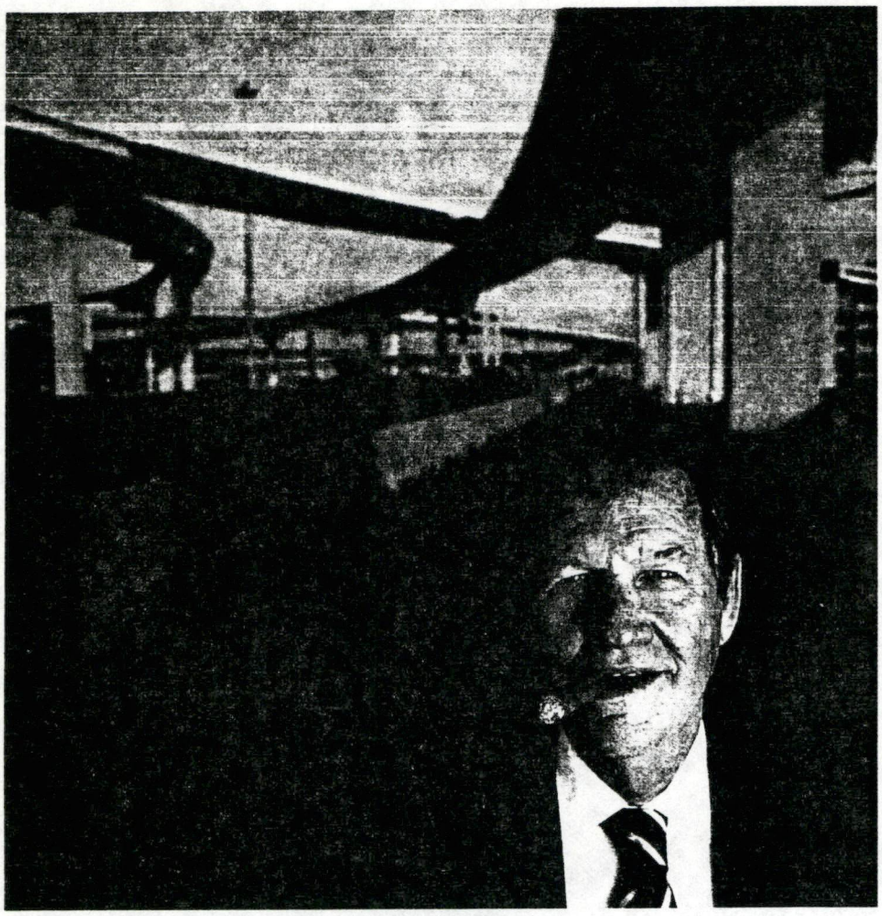
Economic development will not work magic. In the first place, the number of direct new jobs created by the major relocations announced in 1988 (a banner year) totals less than 0.3% of the Texas employment base. Small businesses create the

lion's share of new jobs, typically 70%, but in small increments. "You can't build your future just by begging companies to relocate to Texas," observes Department of Commerce Chairman Edward Vetter.

In the second place, to win those relocations local communities sometimes have to sell the farm. Tax abatements and waivers of environmental regulations are common practice. To persuade Compaq Computer to expand its facilities last year, Houston-area business leaders had to offer $15 million in tax abatements, guarantee $15.5 million in electricity discounts and job-training assistance, and promise to widen a local road into a ten-lane limited-access highway. Contrast that with Southern California, where developers don't get incentives and often must build such things themselves.

Texas has one peculiar advantage that helps it enormously in the economic development racket: cheap, cheap real estate. GTE cited low rent as a factor in deciding to consolidate its telephone operations headquarters—and 4,000 jobs—in Las Colinas near Dallas. Overbuilding during the real estate delusion of the early 1980s created this valuable asset for the state—and the rest of the country is paying for it with every bailout of a Texas lending institution.

Masked by these occasionally pyrrhic economic development victories is a business climate less hospitable than many Texans and outsiders believe. Civic leaders invariably pitch Texas as a low-tax state. In the aggregate that is correct: the state and local taxman's per capita take in Texas is 15th-lowest in the U.S. But thanks in part to the absence of a personal income tax and the traditionally deep pockets of the oil industry, businesses in Texas foot 63% of that bill. Moreover, the tax code is riddled with arbitrary tenets that allow partnerships to escape much of the business tax. Service businesses pay in aggregate only a third as much as manufacturing companies, even though services now generate twice as much activity as manufacturing. "Essentially we have a 1960s tax system trying to drive a 1980s and 1990s economy," argues Dan Morales, a rising young state representative from San Antonio who served on a special committee to review the tax situation.



Bob Lanier: success in dealing with one of the post-oil rush problems—transportation

Another big problem—one legislators have said they want to fix in the current session—is workers' compensation. The insurance rates have doubled since 1985, partly because of a legal system many companies perceive to be excessively politicized (Texans elect their judges on partisan tickets), pro-plaintiff, and capricious—dramatically symbolized by the $11 billion jury award in the 1985 Texaco-Pennzoil case. The high cost of cozily protected intrastate trucking is a drawback.

The key to pushing through changes on these issues, as well as to ensuring the long-term viability of the Texas economy in general, is leadership. But ironically, at a time when Texas's national political clout is at a zenith—a semi-Texan in the White House, Texans in the Cabinet, a Speaker of the House from Fort Worth, four Texans chairing important congressional committees—the leadership back home is spotty at best. Washington influence may help the state in specific instances, such as securing full funding for the superconducting supercollider, but the real work of recovery must take place on Texas soil.

LEADERSHIP logically should start with the state government, but in a leave-me-alone state like Texas the government is anything but visionary. The legislature ordinarily convenes just six months every two years, and despite a population that is four-fifths urban, it displays an ornery rural bias on issues affecting business and education. Clements has ardently championed business interests, but the governor's position is not as powerful in Texas as in some states, and he says he won't run for reelection in 1990. Texas lacks any politician capable of igniting public opinion. San Antonio Mayor Henry Cisneros, probably the state's most charismatic leader, is leaving public life—at least temporarily—in the wake of publicity about a love affair. State Treasurer Ann Richards, whose "Poor George" keynote address at last summer's Democratic convention created a buzz, may be too liberal to unify the state behind her. The Republicans are so hard up they have whispered of drafting George Walker Bush, who dropped out of the oil business for a full-time slot in his

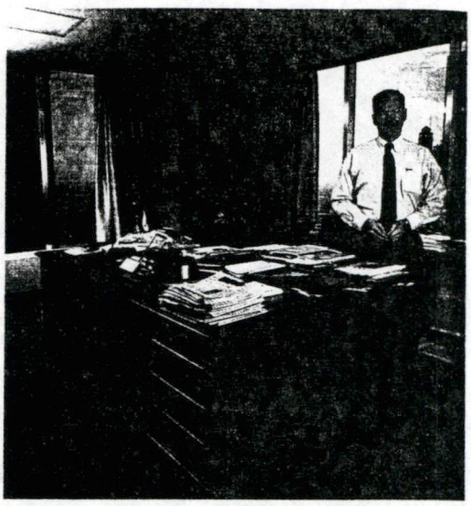
father's presidential campaign, to ride those coattails into the governor's mansion. Outside of Midland, where he once ran unsuccessfully for Congress, he's scarcely known.

In the past Texas's most inspired leadership came from the business community, but those ranks have been decimated. *Texas Monthly* magazine's list of the 20 most powerful Texans included six bankers in 1976, half as many in 1987—and in those three cases, their institutions have since disappeared or are in deep trouble. Not only the bankers are "out of play," says Bayard Friedman, a former Fort Worth mayor and retired chairman of Texas American Bank. "The same goes for a lot of the independent oil people and the major real estate developers. The power structure that existed in this state five or six years ago is just gone." The new power structure will include more and younger entrepreneurs and high-tech executives. Rod Canion, chief executive of Compaq Computer in Houston, allows that the economic crash "has accelerated the transition in Texas to a new generation of leaders, a generation whose key quality will be openness to change." Signifying this change, both the mayor of Houston and the president of its chamber of commerce are women in their early 40s.

On the other hand, when an old oligarchy slips from power before a new generation finds its legs, the leadership vacuum can be telling. Last June, Dallas voters defeated a $2.9 billion transportation plan. Critics charged that the plan primarily benefited the central business district. Its organizers, top-heavy with representatives from downtown Dallas, failed to satisfy the needs of residents in the 15 outlying municipalities. Organizers also failed to attract support from the estranged minorities who constitute half the city's population.

JUST SIX MONTHS earlier, Houston area voters approved a regional transportation plan by a comfortable margin. In part that reflected the earlier annexation of some suburbs and better relations with minorities. But the decisive factor was leadership. After the 1983 defeat of a previous plan, a so-called Super Group began meeting informally to prepare the next attempt. The small alliance included a few businessmen, Houston Mayor Kathy Whitmire, the chief county executive, and a local real estate developer named Bob Lanier, who headed the Texas Highway Department from 1983 to 1987. In the 11th hour Lanier helped broker a deal-saving compromise that made limited rail service part of the plan. Says he: "If the second choice is acceptable, sometimes you just have to go forward to get the job done."

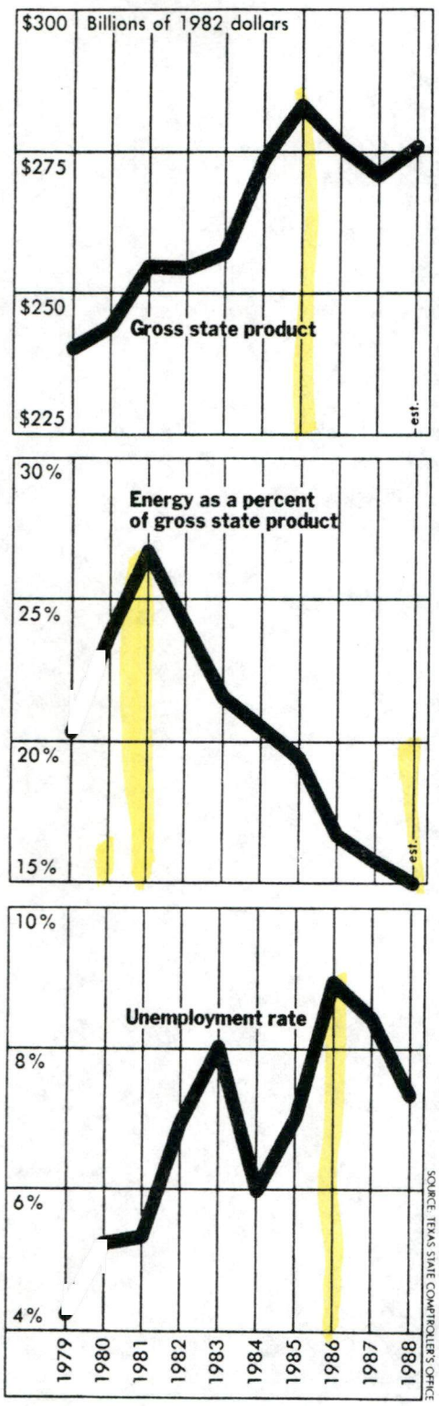
At the state level such cohesiveness is harder to achieve, but one issue with the potential to unify is education. Revenues from $15 billion in state oil and gas properties must by law go to education, and the state university system is first-rate. The problem is in the public schools. In 1987



Ray Hunt: The big loss has been confidence.

Texas ranked 46th of 50 states in the average score on SAT college-entrance exams. Among Hispanics the high school dropout rate is nearly 50%—almost double the rate for Anglos. This trend is alarming because demographers predict that in the middle of the next century Hispanics will outnumber Anglos in Texas. State Representative Eddie Cavazos, a Hispanic leader from Corpus Christi, sums up the issue: "Depending on education, Hispanics will either be part of the system or wards of the system."

In 1984 a campaign by Ross Perot Sr. helped to inspire a special session of the state legislature on education reform. Among the bills passed were controversial measures mandating teacher testing and less flaccid academic standards for high school athletes. Since then the fervor has flagged. In terms of test scores and comparative ranking in funding per student, Texas is now backsliding on education, and no new Ross Perots have emerged to lead the cause. Admittedly, the state has faced consuming problems of late. But if Texans and their leaders want to have things to brag about over the next few decades, education would seem to be the litmus issue. It is a good example of the basic building process needed throughout the Texas economy to realize its rich potential. F



BACK FROM THE BOTTOM

The beginnings of a recovery have reduced unemployment while the influence of energy on the state continues to diminish.

MAR 17 1989 pad DALLAS MORNING NEWS

Statistics lag lands Dallas on 'hot cities' list

STEVE BROWN
REAL ESTATE

The Dallas-Fort Worth area — for the third year in a row — has wound up near the top of one of those much-touted rankings of America's fastest growing cities.

That's right. With bankruptcy and foreclosure rates at an all-time high and unemployment running at more than a point above the national average, *Inc.* magazine still considers Dallas-Fort Worth a "hot spot" for 1989.

Not that anyone is calling up *Inc.* to complain. But our local real estate developers and bankers can't stand much more of this fast growth.

So what's the deal? How did Dallas-Fort Worth wind up ranked 26th among the nation's 200 largest cities in a comparison of job growth and business formations?.

The same survey ranked Austin ninth among these "hot" cities.

It all depends on how you read the numbers.

The magazine's March ranking uses a spread of statistics from January 1984 to July 1988. And it wasn't until 1986 that the statistics began to catch up with bad times in Big D.

The high growth rates Dallas-Fort Worth enjoyed in 1984 and 1985 are putting a spin on the growth profile.

And the same kind of statistical lag will present just as inaccurate a picture of conditions in the area a year or so from now when the economy has recovered.

Even after the market turns and the arrows on the economists' charts start pointing up again, statistical studies that show a four-year spread of job growth numbers will say that things are rotten in Dallas-Fort Worth.

So when surveys like *Inc.*'s say that the hottest city in America this year is going to be . . . the envelope, please . . . *Manchester, New Hampshire.*

Well, let's not go running off to the airport, just yet.

■

No, it isn't a big deal.

What's $7.4 million among the billions and billions of real estate dollars ground up in the Texas foreclosure mill?

But this month's foreclosure on a $7.4 million Richardson industrial complex raised a few eyebrows down at the courthouse steps.

Aetna Life Insurance foreclosed on the property. The owner — until March 7 — was **Trammell Crow Co.**

Crow Co. has so far avoided the monthly foreclosure auctions. While other big builders like Lincoln, Vantage and Hines have let uneconomical projects fall into foreclosure, Crow had remained out of the fray.

Officials with Aetna confirmed the foreclosure of the multibuilding complex at International Parkway and Apollo Road. A Crow Co. spokesman said that the foreclosure was by mutual agreement of the developer and the lender.

■

Dallas real estate brokerage firms are casting dirty glances at the latest large property assignment in downtown Dallas. Federal regulators signed a Houston developer to handle the disposition of the old **Republic Bank** complex at Live Oak and St. Paul.

Duddleston Management Co. of Houston is trying to get a handle on how to market the two-building skyscraper complex — either for tenants or a sale.

NCNB Texas National Bank is moving its operations out of the old Republic complex to buildings in the west side of downtown.

Leasing agents don't expect much of a rush by downtown tenants to refill the 30-year-old office space.

And the cost of asbestos removal has frightened off some buyers.

■

Robert Bagwell must feel like he stumbled into a time warp.

Since the early 1980s, Mr. Bagwell has been a developer and broker in Dallas' West End — the collection of turn-of-the-century brick buildings on downtown's northwest corner.

Mr. Bagwell was a partner in the redevelopment of several of the historic buildings — including the West End Marketplace. But these days his real estate expertise is being used light years beyond the West End.

Mr. Bagwell has moved to Northern California to go to work for **Skywalker Development Co.** — the real estate development subsidiary of **Lucasfilm Ltd.**, creator of the hit *Star Wars* and Indiana Jones movie sagas.

Lucasfilm's real estate arm is designing futuristic entertainment and retail developments that utilize some of the high-tech special effects and sets made popular in the *Star Wars* movies.

One project Skywalker Development is studying is in downtown Houston.

Steve Brown is Real Estate Editor of The Dallas Morning News.

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Jobless rate drops to 15-year low

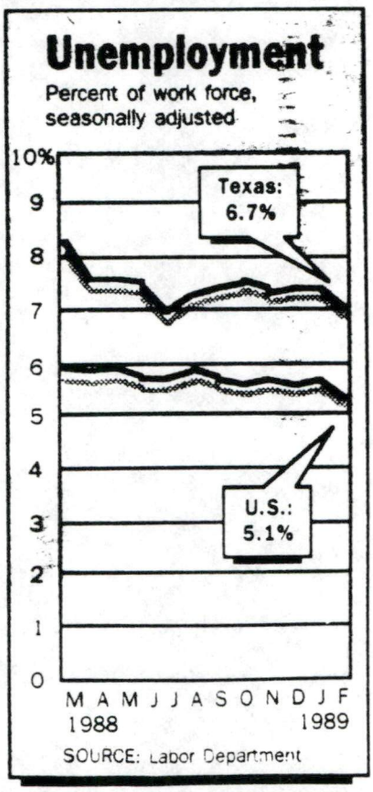
Texas unemployment follows national trend

FROM STAFF AND WIRE REPORTS 3-11

The nation's unemployment dropped to a 15-year low of 5.1 percent in February as employers created 289,000 jobs, the government said Friday in a report cited as evidence of surprising, sustained vigor in the economy.

Texas unemployment also fell sharply from 7.1 percent in January to 6.7 percent in February, the lowest level since July, the Bureau of Labor Statistics reported.

Wall Street seemed to regard the strong unemployment drop as an indication that economic growth is too vigorous as stock prices fell. Analysts cited concerns the Federal Reserve Board may raise interest rates to cool down the economy as employers bid up wage rates in an ever-tightening labor market.



A record 62.9 percent of the working-age population was at work last month, matching the high set in January, the department said in data calculated from its monthly household survey.

The nation's jobless rate, stuck at 5.3 percent or 5.4 percent for five months, fell 0.3 percentage point in February to 5.1 percent, its lowest since May 1974. The last time the rate was lower was in December 1973, when it hit 4.9 percent.

The gain of 289,000 non-farm jobs in February reflected improved conditions in service-producing industries, such as health care and retail trade, according to a separate survey of business payrolls.

February's job gains, although strong, were off from January's huge increase of 415,000 jobs. Last month's harsh weather cut 22,000 jobs from construction employment. Manufacturing jobs were down 8,000 after rising steadily since September.

Those decreases were more than made up for by a gain of 321,000 jobs in the service sector of the economy, including gains in health and business services and in retail trade.

In Texas the jobless rate fell 0.4 percentage points after several months of rising unemployment. The state's unemployment was down from 8.1 percent a year ago, but still ranked as the highest among the nation's 11 largest state's.

"Even though we're still doing well, we've got a way to go before we can say our expansion matches the national average," said Nic Santangelo, chief of economic analysis for the bureau's Southwest regional office.

The number of unemployed Texans dropped in February to 551,000, compared with 673,000 unemployed in February 1988 and 590,000 unemployed in January, the bureau reported.

Please see **JOBS, C-2**

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Permian's future tied to recovery, drilling technology

ASSOCIATED PRESS Houston Post 2-12

MIDLAND — The fate of Permian Basin oil fields will depend on technology now unfolding and yet to unfold, say industry experts.

With exploration for major reserves in the Permian Basin pretty much in the past and production fairly mature, one technological approach the Permian Basin will increasingly count on is exploitation, says Richard Morrow, chairman of Amoco Corp.

Exploitation is simply the use of technology and efficiency to maximize the recovery of present crude oil reserves.

There are currently 300 billion barrels of oil in the United States that has already been discovered and is in place. But energy experts predict that only 10 percent of this amount can be recovered with the present state-of-the-art technology.

Addressing the problem of declining production at a Midland conference last year, Morrow said the industry should make wider use of exploitation teams.

He said these teams would be interdisciplinary with talents in geology, geophysics and engineering. Their purpose is to focus on areas in and around existing fields to extend the limits of existing reservoirs, identify new producing horizons, and remap reservoirs to achieve better drainage.

Morrow says up to 60 percent of reserve additions in the past five years have been through exploitation efforts.

Morrow and others in the industry are also calling for an all-out push to develop new technology to tap passed-over reserves. But the industry, even without a call, is already responding to the obvious need to find technology beyond today's conventional recovery methods. And some of that advanced technology is already showing up in the Permian Basin.

One such technology is tertiary recovery, primarily CO_2 projects in the Permian Basin. With over 25 carbon dioxide floods in operation, the Permian Basin stands to become the tertiary capital of the world — if it does not already own that title.

While CO_2 projects are not exactly new technology to the Permian Basin, the recent marriage of new computers to the process is making it a new, highly efficient ballgame. The widespread use of artificial intelligence could make it a new world in petroleum production.

Operators of tertiary projects are now able to use computers to stimulate reservoir performance and optimize injection rates. The same computers also improve sweep efficiency within the reservoir. With sophisticated computer programs, engineers are able to map accurately complex production structures below the Earth's surface and avoid trapping oil.

Computers also are opening the door to improve the stimulation and completion techniques. Last month the Society of Petroleum Engineers, meeting in Houston, sponsored an international symposium on reservoir stimulation, in which 36 papers were submitted on using computer methods to stimulate the flow of injected chemicals, gases and other agents into oil and gas formations.

A recovery technique that has been applied in the Permian Basin in only a minor way is Microbial Enhanced Oil Recovery. Still undergoing pilot studies as a recovery process, microbes have been used in the Permian Basin as a means to control paraffin in oil wells.

MEOR, which uses oil-digesting germs to produce heat, pressure, carbon dioxide and surfactant chemicals in oil wells, may be the next round of recovery after carbon dioxide projects. It has proven highly effective in stimulating oil mobility and can penetrate low permeability zones in reservoirs.

Significant technological advances that could increase production and decrease costs are also being made in drilling with new horizontal and high-speed drilling techniques.

Corporate flow going to Texas

P.1D

MAR 16 1989

And Dallas is top destination

By Kevin B. Blackistone
Staff Writer of The Dallas Morning News

Corporate America, once again, is moving more people into Texas than out of it, according a study by the nation's largest relocation company. And the Dallas area leads U.S. metropolitan communities in the number of out-of-state arrivals.

A survey of corporate transferees conducted by PHH Homequity, a Connecticut-based real estate services company that assists on more business relocations and expansions to new venues than any other U.S. firm, showed that in 1988 it moved more families — 4,278 — to metropolitan Dallas than to any of the 75 other areas in the nation they serve.

Homequity, which has an office in Las Colinas, also moved 2,718 families out of the Dallas community in 1988. Dallas ranked fifth in departures, the company's study indicated.

The last Homequity survey, done in 1986 in the midst of the oil-price crash that precipitated the deflation of the Texas economy, showed that 1,935 families relocated to metropolitan Dallas while 2,187 families packed their bags for greener pastures.

The chief economist of J.C. Penney Co., which relocated in 1987 to the Dallas area from New York, said the analysis is further evidence that the fortunes of Texas and Dallas are turning for the better.

Penney economist Ira Silver said more corporations today realize they can reduce expenses and develop better managerial talent in less-expensive, centrally located areas such as Dallas rather than traditional, but very expensive, posts on the East Coast.

"One attraction (in Dallas) is lower taxes, which reduces our operating expenses," Mr. Silver said. "It was also getting very difficult to transfer people into the New York area. The problem is the New York metropolitan area is so expensive.

"Most of the people they (major corporations) want to develop, they have to move. And you can lose some very good people if they are not willing to make a move," Mr. Silver explained.

"The need for American corporations to look at how they spend their money and operate more efficiently is a big economic decision. That makes this a very attractive area," said J. Kevin Raney, director of client relations for Homequity in Las Colinas.

A Homequity executive, who assisted Penney in making its move to the Dallas area, said that most of the families relocating to Dallas from out of state were, in fact, departing communities in the Northeast.

"Outside of Texas, most of our moves are from the New York-Connecticut corridor," said Andrew D. Bardach, national account executive for Homequity in Las Colinas. "There's been such a dichotomy in living

Please see CORPORATE on Page 12D.

THE TYPICAL CORPORATE TRANSFEREE

Characteristic	Transferee to Texas	Transferee elsewhere in U.S.
Age	38	38.5
Male	84.0%	84.0%
Married	86.1%	88.0%
Children	84.2%	82.0%
Spouse employed	62.0%	48.0%
Full-time employment	86.5%	67.0%
Department:		
■ Sales	26.3%	21.0%
■ Engineering	11.4%	17.0%
■ Finance	9.6%	10.0%
Reason for transfer:		
■ Promotion	47.8%	59.0%
■ Lateral move	30.4%	41.0%
Number of times transferred	3.6	2.9
Frequency of transfer by years	4.0	4.4

SOURCE: PHH Homequity

The Dallas Morning News

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Corporate flow going to Texas

Continued from Page 1D.

expenses between the Southwest and the Northeast over the last few years that the Dallas environment becomes very attractive."

Homequity also showed the typical family transferring to Texas was more likely than a family transfering to another state to be headed by a 38-year-old male sales executive with a working wife and one child. And the executive probably decided to move to Texas because the move included a promotion, according to Homequity.

Homequity executives said most of the corporations they helped move to Dallas were in the service sector, the fastest-growing employer in the U.S. economy.

"We do have a high number of oil companies, but we are seeing a lot of high-tech and retail companies," said Gary P. Cunningham, vice president and general manager for Homequity in Las Colinas.

Until recently, Homequity executives said, most of the corporate moves to Dallas involved expansions of small offices. Today, they said, they are handling more and more large division and headquarter moves, such as J.C. Penney, Occidental Chemical and GTE Corp.'s telephone operations unit, all of which moved to the Dallas area in the past two years.

The study stated that transferees out of Texas were most probably leaving a job in financial services, one of Texas' industries that has suffered the most during the economic turndown of the past two years.

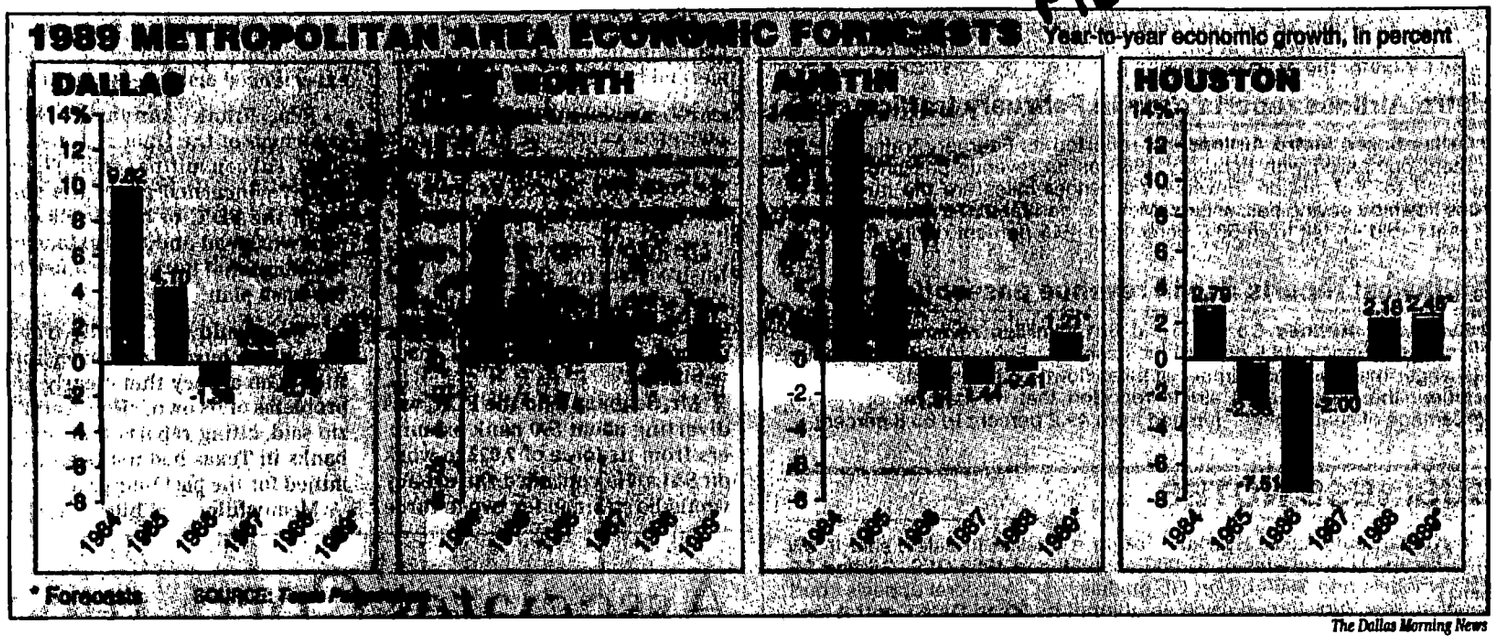
Mr. Silver said the Homequity data illustrate that Texas actually is benefitting from the natural ebb and flow of the regional economy, which made this area a less expensive place to work and live.

"The forces that give you problems, in the end, give you benefits, and vice versa," Mr. Silver said. "The good luck and fast growth the Northeast experienced has started to give it problems. And you're starting to see turnaround numbers for the Southwest — because of its problems."

Mr. Silver said statistics such as depressed real estate prices and an unemployment rate that is higher than the national average make Texas a more better place for companies and their employees.

And publicity about Texas through national conventions that set up in Houston and Dallas, Homequity executives said, have allowed corporate decision-makers to see the state as more than just prairies and oil fields.

"A few years ago people looked at this place as Lonesome Dove — covered wagons and prairies," Bardach said. "But now, with all the conventions here, they see it's not. We're getting New York and California banks, and they see that as meaning we're sophisticated."



The Dallas Morning News

MAR 09 1989

Texas economy rebounding, report says

By Kevin B. Blackistone
Staff Writer of The Dallas Morning News

Houston — which for the past few years suffered more than any Texas metropolis after collapsed oil prices dragged the state economy into a deep hole — this year should lead what will be the state's strongest economic growth in half a decade, according to a new analysis from an Austin-based economic forecasting service.

In its just-released report, Texas Perspectives Inc. forecasts that the economy of the state's largest city and that of Texas will expand at their fastest pace since 1984, when both were still riding the crest of high oil prices.

In addition, the analysis expects the most robust economic growth since 1985 for the state's second-largest city, Dallas, and for the Fort Worth metropolitan area.

"Some of that's just statistics when you're coming off the bottom," said Jon Hockenyos, economist and publisher of the *Texas Perspectives* report. "But we do think things will go all right this year.

"I really do believe that this is the year that capital availability comes back. The only question is whether they will lend to small business," Mr. Hockenyos said. "And I do think interest rates will come down — by Labor Day. That's based on our judgment of the political needs of the current administration."

Mr. Hockenyos and co-publisher Travis C. Tullos project the state economy expanding by 1.69 percent in 1989 after recording two

Please see TEXAS on Page 4D.

Texas economy rebounding, report says

Continued from Page 1D.

consecutive years of flatness and contracting by 4.08 percent in 1986. They also foresee the state economy growing in 1990 even if the national economy enters a recession, which at least three out of every four members of the National Association of Business Economists predicts.

M. Ray Perryman, director of Baylor University Forecasting Service in Waco and a consultant to Texas Perspectives, concurred with his Austin colleagues. But he cautioned: "What we (Texas) can't stand is any runup in the dollar, because everything (in the recovery) is so export-driven."

Mr. Hockenyos and Mr. Tullos note, in fact, that it is the decline in the value of the dollar against foreign currencies that is most responsible for the statewide and Houston economic recovery.

Continued depreciation this year, they predict, will help fuel economic growth in Houston by 2.46 percent as local manufacturers and petrochemical producers increase their output. The Houston economy last year grew 2.18 percent after recording three consecutive years of negative growth between 1985 and 1987.

"That kind of scenario would be consistent with what we're expecting," said C.A. "Skip" Kasdorf, director of research for the Greater Houston Partnership, the city's new private economic development group. "For '89, we're looking for continued job growth, but that is contingent on what happens with the national economy. If we do see a slowdown in the second half (nationally), we will see a slowdown here."

The Dallas-area economy, which recorded negative growth in two of the past three years, should expand in 1989 by 1.47 percent, which would be its largest gain since 1985, predict Mr. Hockenyos and Mr. Tullos.

> **"The big variable is whether we get a recession. I don't think we'll see one. And if we continue without one, we'll outperform the nation."**
>
> **— Don Reynolds, president, 21st Century Forecasting**

The economists do not expect the severe problems that beset Dallas' banking and thrift industries to disappear entirely this year, but they do envision corporate relocations — like the move of GTE Corp.'s telephone operations division to Irving — and business expansions providing a new infusion of capital and commerce.

But most of the growth in metropolitan Dallas-Fort Worth, *Texas Perspectives* forecast, will occur on the Tarrant County side. It states the economy in and around Fort Worth will strengthen this year by 1.87 percent, after declining slightly last year and staying flat in 1987 and 1986.

High-technology manufacturers in Fort Worth will pick up any falloff in defense-related industries, where some analysts expect a slowdown in federal contracts, while the aerospace industry continues to grow, the magazine predicts.

"The big variable is whether we get a recession," said Don Reynolds, president of 21st Century Forecasting in Fort Worth, who expects 2 percent or better growth for Fort Worth this year and next. "I don't think we'll see one. And if we continue without one, we'll outperform the nation."

Mr. Reynolds said that beyond growth in defense and aerospace in Fort Worth, he expects a pickup in property absorption rates and in new construction.

The economy in the capital city, Austin, also should realize growth this year, according to the Texas Perspective soothsayers. They project 1.21 percent growth in Austin, which would reverse three consecutive years of contraction. They predict that manufacturing and research will spur the overall Austin economic recovery, which jibes with new projections from the Austin Chamber of Commmerce.

"The sector that is leading the economy is manufacturing, particularly exports of durable goods," said Angelos Angelou, chief economist at the Austin Chamber, who forecasts 1.1 percent growth in the Austin economy this year. "Seventy percent of our manufacturing is high-tech, and that's R&D (research and development) driven."

Mr. Angelou predicts Austin this year will take in nearly $1 billion in R&D funding.

With the major urban areas in Texas expected to do better together in 1989, it is no surprise then that most economists here believe the state economy will gather strength, although not as much as during the boom years.

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32,000 more Houston jobs forecast for 1989

By JOHN BARNETT
Houston Chronicle DEC 0 7 1988

Houston will add almost 32,000 new jobs during 1989, with most of the growth coming in service, retail and government sectors, Rice Center economists announced Tuesday.

Although the outlook for next year is good, the picture is not as bright as the one the economists painted in July. They have lowered their earlier projections by 3,000 jobs in the seven-county Houston Metropolitan Statistical Area because of fluctuating oil prices.

"The major factor influencing our revised 1989 outlook for Houston is softer energy prices," said project manager Michelle Foss.

Earlier, the research organization affiliated with Rice University made its predictions for 1989 based on an average oil price of $18.79 a barrel, said Foss. But the price softness in the second half of the year has brought that average down to $15.

"This reflects our belief that even if the current OPEC agreement holds through 1989, we still will not work off the surplus, and prices will remain soft," she said.

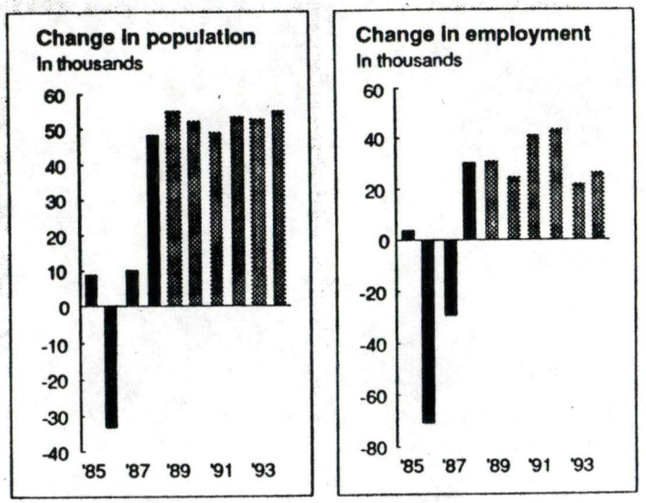
The fact the impact of the price drop was not greater reflects Houston's reduced dependence on energy, Foss said.

While a national recession is not in the cards next year, employment growth in Houston will slow between 1989 and 1990 because the national expansion is slowing, Foss

See JOBS on Page 5B.

Houston economy

The Houston area is expected to add 31,700 jobs next year, while the population will rise by 55,300.



'89 – '94 figures are estimated

Source: Rice Center

Chronicle

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Jobs

Continued from Page 1B.

said. As a result, the number of jobs added in Houston in 1990 will drop to about 26,000, according to the Rice Center study.

In the long run, however, the city's growth rate will be greater. Between 1988 and 1992, Houston should gain about 144,000 jobs and 210,000 residents, Foss said.

Conditions will improve during 1991 and 1992 as energy prices become more stable and the United States works through its surplus stock of drilling rigs, the Rice economists said. The improved utilization rate for rigs should trigger a spurt in employment of about 40,000 jobs during both of those years.

Manufacturing will continue to play an important part in the Houston economy, the study said.

Additional diversification could come if the region increases production of final consumer goods and non-energy-related capital equipment. As the region diversifies, there also will be more demand for professional services to meet the needs of the new industries, Foss said.

The center also addressed the impact of lower oil prices and the possibility of a national recession in 1989 and 1990 in a "worst case" projection. This forecast uses a 1989 oil price assumption of just under $10, which could happen once winter fuel demand drops off and the ability of the Organization of Petroleum Exporting Countries to maintain its pact is tested.

"In spite of revenue needs by OPEC producers, we think there is a possibility of another fall in prices to levels unacceptable by OPEC, spurring an accord that would be more strongly enforced," Foss said.

Foss said that the harmful effects of this scenario would be offset by benefits to the area associated with accelerated refining and petrochemicals activity.

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Texas is ready to grow, agency predicts

AMERICAN STATESMAN
FEB 02 1989
F-1

Associated Press

The Texas economy is getting healthier and a measure of that recovery is that 90,000 jobs should be created in 1989, Comptroller Bob Bullock's office said Wednesday.

Such a jobs gain would set a record of 6.7 million Texans employed by year's end.

"Texas has weathered the oil-bust years well," Bullock said. "We've regained most of the ground we lost, and the state's outlook continues to improve."

The latest edition of Fiscal Notes, published by the comptroller's office, reported that since the recession's low point in spring 1987, Texas has gained 176,000 jobs and recovered 80 percent of jobs in 1986-87.

Unemployment has fallen nearly 3 percentage points, to about 7 percent by the end of 1988.

"Assuming the U.S. economy remains healthy and oil prices are relatively stable in the current range, Texas' economic growth will continue through 1989," the newsletter said. "By the end of the year, recovery will turn into expansion as statewide employment surpasses its late-1985 peak."

The major force driving the recovery will continue to be manufacturing, which benefits from the lower dollar and increasing competitiveness of American exports, the comptroller's report said.

Most of the new jobs, however, will be in trade and service industries. Oil and gas are expected to remain stable; real estate and construction should hit bottom in mid-year.

The overall Texas economy will grow 2.4 percent in 1989, Bullock said, about the same as the nation's economy. Personal income for Texans will increase by more than 7 percent.

The state itself is also projected to grow. The report said Texas will gain almost 200,000 in population and more people will move to Texas than move away. Population will increase 188,000, or 1.1 percent, during the year, the report predicted.

RE:
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Banking, state officials planning meeting

By MARK TOOHEY
Houston Chronicle Austin Bureau

AUSTIN — Top legislative leaders, including Lt. Gov. Bill Hobby, will travel to Washington later this month to huddle with federal banking officials over Texas' troubled financial industry.

Gov. Bill Clements, House Speaker Gib Lewis and Hobby met for an hour on Monday to discuss the state's banking and savings and loan crisis.

The governor, fresh from his own trip to Washington where he met last week with President Bush, has arranged for Hobby, Sen. O.H. "Ike" Harris, R-Dallas, chairman of the Senate Economic Development committee, and state Rep. Ashley Smith, R-Houston, chairman of the House Financial Institutions committee, to meet with Federal Deposit Insurance Corp. head L. William Seidman and Robert Clarke, comptroller of the U.S. currency.

An exact date has not been set.

"This was one of many subjects we (Bush and Clements) discussed. We're all searching for solutions on this S&L situation. It does not lend itself to a quick fix. It just does not," Clements said after emerging from the meeting with Hobby and Lewis.

Asked if Bush suggested any legislative action on the part of Texas officials, Clements replied, "I'm telling you we're not at that point. Everybody is seeking solutions.

"The legislative process in Washington is . . . in its formative stages so I think you're going to go up there and find out there are several approaches to this problem on the table, and it's really in a state of flux right now," Clements said.

Hobby said he wants to meet with federal officials about banking problems because "It's a subject I'm not very well informed on."

Some state legislators have complained that Texas financial institutions taken over by the federal government recently "are not competing fairly" with independently owned banks, said Hobby.

"I'm pretty skeptical of legislation in this area. We all sort of have a vague feeling of, 'Gee this is a terrible problem and we have to do something about it.' But what are we going to do about it? I hope that any legislation at the state or federal level doesn't do too much harm. Let's not be in a hurry to legislate on this."

Said Lewis about the financial institution problems, "There seems to be no answer and we're looking for an answer."

"There's a concern that we have over what role the state is playing in addressing the needs of financial institutions," Lewis said. "Is the state doing everything it can to regulate this type stuff? This meeting will help us understand what role we should play."

MCorp to seek bankruptcy protection

Case raises questions on role of federal regulators, courts

By Gary Jacobson
Staff Writer of The Dallas Morning News

The planned Chapter 11 bankruptcy filing by MCorp could be a landmark case in establishing the relationship between banking regulators and the bankruptcy courts, legal experts said Monday.

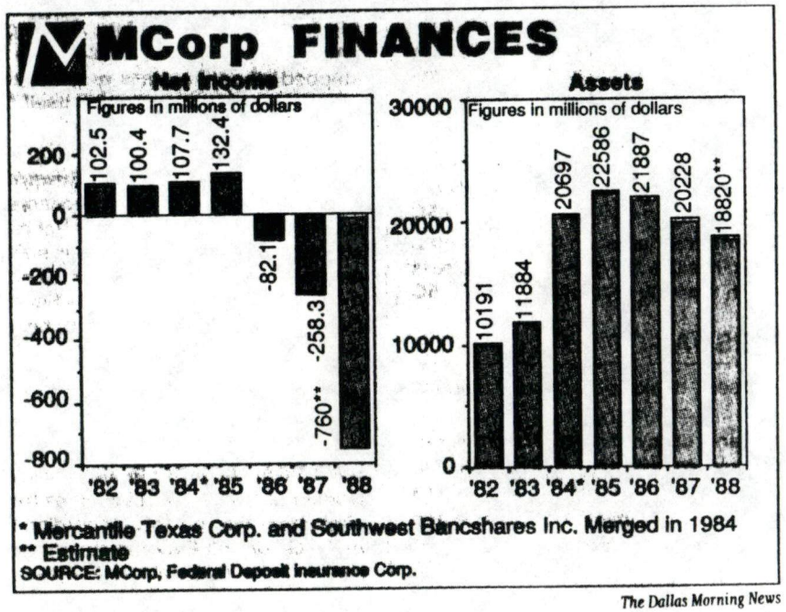
Unlike the bankruptcy filing by First RepublicBank Corp. last July — one day after regulators seized its Texas banks — MCorp still controls all 25 of its subsidiary banks. Regulations prohibit the banks themselves from filing for bankruptcy, yet they are considered assets of the holding company, MCorp, which can file for protection.

A major question is whether federal regulators can now seize any or all of the individual banks without approval from bankruptcy court. Regulators and some legal experts say a bankruptcy filing does not affect the government's freedom in this area. Others, however, are not sure.

"This has the potential to be a

Please see CASE on Page 6A.

■ Editorial. 12A
■ Reaction calm. 1D



The Dallas Morning News

Case raises questions for regulators, courts

Continued from Page 1A.

fascinating case," said Jay Westbrook, a law professor at the University of Texas at Austin who specializes in bankruptcy. "The precedents it sets could be as much practical as they are legal."

At issue, the experts say, are government policies that do not always agree. Banking regulators, for instance, are mainly concerned about preserving and stabilizing the banking system. Bankruptcy laws are concerned with getting the most money possible for a company's creditors.

Particular policies do not always prevail. In the case of Continental Airlines, legal experts said, bankruptcy laws took precedence over labor law. The airline was able to cancel its labor contracts.

But in cases involving environmental laws, the U.S. Supreme Court has ruled that companies in bankruptcy proceedings cannot walk away from costs associated with their environmental obligations.

"This case raises some new possibilities," said Toby Gerber, a partner at Johnson & Swanson in Dallas. "A lot of bankruptcy practitioners will be looking closely."

Over the weekend, MCorp said it planned to file for protection from creditors under Chapter 11 of the U.S. bankruptcy code. The move was in response to a small group of the company's bondholders who filed their own Chapter 7 petition last week in New York.

Chapter 7 calls for the involuntary liquidation of a company, with proceeds divided among the creditors. Chapter 11, a voluntary action that supersedes Chapter 7, allows a company to continue operating while it attempts to reorganize.

Last November, MCorp and the Federal Deposit Insurance Corp. negotiated a standstill agreement that avoided bankruptcy. MCorp said it would not seek Chapter 11 protection, and the regulators agreed to back off from demands that the holding company supply some of its $250 million in liquid assets to its subsidiary banks.

But once the Chapter 7 proceeding was filed, legal experts say, MCorp had few other choices.

It could accept the liquidation, fight it or exercise its legal right to convert to Chapter 11.

Liquidation was an unacceptable choice. To fight the Chapter 7 filing, MCorp would have to prove that the allegations — namely, it has not paid interest on certain debt on time — are untrue. The company, however, has said it stopped paying interest on some debt.

"The most viable alternative for us is to convert to Chapter 11," said MCorp spokesman George McCane. MCorp has 20 days to make the conversion, a relatively simple process. "We will convert," Mr. McCane said. "The timing has not been determined yet."

Martin Klein, a New York lawyer specializing in bankruptcy, said he expects the FDIC to continue working closely with MCorp. He does not anticipate that regulators will move quickly to take over the subsidiary banks.

Mr. Klein said the attorney — I. Walton Bader — for the bondholders who filed the Chapter 7 petition is well-known in New York bankruptcy courts.

"This is a game he's playing," Mr. Klein said of Mr. Bader. "He's trying to get control. Chapter 11 puts the company back in control."

Mr. Bader did not respond Monday to messages left on an answering machine at his firm.

While the Chapter 7 petition was filed in New York, many legal experts said they expected the case to ultimately wind up in Dallas, where MCorp is based.

Thrifts From C9

Clements said.

For example, one aspect of the Bush plan proposes putting the savings and loan industry's deposit insurance fund under FDIC control. The FDIC has historically controlled the bank deposit insurance fund.

Seidman's agency is also expected to play an important role in disposing of bad assets from insolvent thrifts. Many Texans, including U.S. Rep. Jake Pickle, D-Austin, have expressed concern that a quick sale of bad assets would further weaken the state's already fragile real estate industry.

Lewis said the lawmakers will try to find out "If there is something we should know that we don't know. What's happening? What's going to be the next step?"

Clements said it is too early to tell whether the Legislature should take any action to address the problem.

Texas to send thrift plan contingent

APR 11 1989

By Debbie Graves
American-Statesman Capitol Staff

A group of Texas lawmakers will go to Washington later this month in search of a solution to the state's savings and loan crisis.

Gov. Bill Clements has arranged for the Texas contingent to meet with L. William Seidman, chairman of the Federal Deposit Insurance Corp., whose agency has been given a lead role in the Bush plan to rescue the problem-plagued thrift industry.

Seidman's agency, normally a bank regulator, has been given the task of controlling nearly 230 insolvent thrifts around the country, including 63 in Texas, until Congress appropriates the funds to sell, merge or close the institutions.

The lawmakers will also meet with Robert Clarke, the U.S. Comptroller of the Currency, whose agency regulates nationally chartered banks.

Clements, Lt. Gov. Bill Hobby and House Speaker Gib Lewis announced the trip after they met in an hour-long private meeting Monday, which was also attended by a handful of key legislators.

Likely to travel to Washington on the fact finding mission are: Hobby; Sen. Ike Harris, chairman of the Senate Economic Development Committee; and Rep. Ashley Smith, chairman of House Financial Institutions Committee. Clements said other representatives and senators may be added to the group, which will travel to Washington within 10 days. No definite date has been set yet.

Clements said he discussed the thrift industry debacle last week with President George Bush over a long lunch.

"We are all searching for solutions on this S&L situation and it does not limit itself to a quick fix,"

See Thrifts, C11

Deposit run blamed for MBank seizures

PIA

MAR 30 1989

By David LaGesse
Staff Writer of The Dallas Morning News

A run on deposits at the lead bank of MCorp in Dallas — involving banks within and outside the holding company — led to a liquidity crisis that forced the government to seize 20 of the firm's subsidiaries, regulatory and industry sources said Wednesday.

More than 200 federal regulators fanned out across Texas on Tuesday to check the pulse of the 25 banks owned by MCorp. By 1 a.m. Wednesday, the government had seized the bulk of the company's operations.

The Federal Deposit Insurance Corp. now operates the 20 former MBanks as the Deposit Insurance Bridge Bank, a newly chartered, wholly government-owned institution with $15.4 billion in assets. The FDIC took control of the banks after the U.S. comptroller of the currency declared them insolvent.

MCORP BANKS SEIZED

- James Gardner profile. 1D
- Bankruptcy status. 1D
- Reaction to FDIC action. 4D
- Gene Bishop profile. 4D

Bidding now begins anew for the former banks of MCorp, which for nearly a year has sought a government-assisted bailout. The FDIC faces one of its most costly banking rescues ever, with some analysts estimating that the insurance fund will commit $2 billion to the bailout.

Five solvent banks with $2.8 billion in deposits and $3.2 billion in assets remain under the ownership of MCorp. But observers wonder whether they can withstand the pending bankruptcy filing of the parent company.

Accounts at all 25 of the current

Please see RUN on Page 8A.

L. William Seidman . . . monitored the MCorp situation throughout the day Tuesday.

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Run on deposits blamed for seizure of MBanks

Continued from Page 1A.

and former MCorp banks remain covered up to the normal $100,000 limit on federal deposit insurance. The banks opened Wednesday morning for normal operations.

The fast-moving series of events that brought down MCorp, the last of the Dallas-based holding companies to collapse, began last week with the filing of an involuntary bankruptcy petition against the parent firm.

MCorp officials responded Monday morning by saying the company would seek protection in the courts under Chapter 11 of the U.S. bankruptcy code.

That caused a panic among bankers, particularly those with accounts at the troubled MBank Dallas, the flagship bank of MCorp and one of its most troubled institutions, said Robert Clarke, the U.S. comptroller of the currency.

"The primary funding difficulty initially was with the lead bank in Dallas," he said. "That's where the principal downstream deposit accounts were within the system."

Unaffiliated depositors also initially focused on the Dallas bank Monday, Mr. Clarke said Wednesday morning, speaking at a news conference in Washington with FDIC Chairman L. William Seidman.

The three-member FDIC board of directors, which includes Mr. Clarke and Mr. Seidman, monitored the Texas situation throughout the day Tuesday.

"But it became clear as the day wore on that the bank was not going to meet the demands of its depositors," Mr. Clarke said.

MCorp was essentially dismembering itself from within, as some of the biggest demands for withdrawals came from the other MCorp banks, industry sources said.

The MBanks realized that the bankruptcy threat would likely force regulatory action against the company, said William Isaac, president of the Secura Group, a Washington consulting firm.

"It principally was the solvent banks within the MCorp system that were refusing to continue to keep lines of credit outstanding to the insolvent banks," he said.

Profitable and healthy MBanks in El Paso, Corpus Christi and Brownsville and unaffiliated institutions elsewhere knew from experience with the FDIC that the agency would use interbank transactions to seize their institutions, said Frank W. Anderson, a bank analyst with Stephens Inc., an investment firm in Little Rock, Ark.

When First RepublicBank Corp. failed in the summer of 1988, regulators first declared the company's largest banks insolvent. That caused a number of the company's 38 other Texas banks to fail because those institutions had lent the money to the company's biggest institutions in Dallas and Houston.

Regulators used the same domino effect in seizing 14 of the 20 MBanks that were seized Tuesday.

Early in the process, on Tuesday evening, the comptroller declared MBank Dallas insolvent — and essentially refused to honor the deposits of other MBanks beyond the $100,000 limit on federal insurance.

That brought down the 14 MBanks, with six already seized under the more normal criteria of capital insolvency. After losses of more than $900 million last year in the system of MBanks, and a recent exhaustive federal exam, the six banks had used up the cash cushion that the government requires for banks to operate.

Other bankers had also feared the fate of their deposits at MBank Dallas. Officers of several Texas institutions said they had withdrawn their check-clearing business from MCorp on Monday and Tuesday, fearing their exposure if the government refused to make their accounts whole.

"The FDIC brought part of this on itself by the way it treated banks at First Republic," said one banker, asking to not be named. "I just couldn't take the risk they wouldn't distinguish between my deposits and the accounts of other MBanks."

Actually, the FDIC said it transferred all other depositor accounts at 19 of the seized MBanks in full to the new bridge bank.

The once exception came at MBank Abilene. The government chose to essentially liquidate that bank, transferring only deposits up to the $100,000 limit to the bridge bank.

That move came because of unusual liabilities at the Abilene bank, a failing institution that MCorp acquired in the early 1980s. Juries have delivered major judgments against the old Abilene National Bank in recent years, including two lender-liability suits that brought $68 million and $40 million judgments.

While the $40 million suit was recently overturned on appeal, and the other was recently heard by an appeals court, the FDIC essentially extinguished those judgments by liquidating the bank, Mr. Isaac said.

An FDIC spokesman said few accounts with uninsured deposits remained at the Abilene bank. By midmorning Wednesday, examiners had found only $1,000 in uninsured deposits, apparently because rumors had long suggested the impending failure to depositors.

Until Tuesday afternoon, MCorp officials still hoped the company might survive its funding crisis, corporate officials said. Deposit withdrawals were accelerating, but still appeared manageable as long as the govenment continued advancing MBank Dallas the approximately $1.5 billion it had been loaning since late October.

But late Tuesday, the government told selected MCorp officials to plan to work late. That evening about 7 p.m., a group of about 15 federal regulators had gathered at the

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MCorp — WHAT THE FDIC SEIZED

The Deposit Insurance Bridge Bank, a chartered institution wholly owned by the Federal Deposit Insurance Corp., assumed control of 20 failed MBanks Wednesday. All of the institutions opened for business as usual. The following is a list of total assets and deposits of the institutions, in thousands, as of Feb. 28, 1989:

	Assets	Deposits
MBank Abilene	$188,846	$205,671
MBank Alamo	$717,213	$673,443
MBank Austin	$622,722	$551,909
MBank Brenham	$144,857	$135,073
MBank Corsicana	$192,351	$188,365
MBank Dallas	$6,421,588	$3,667,072
MBank Denton Co. (Lewisville)	$225,173	$218,176
MBank Fort Worth	$750,125	$662,921
MBank Greenville	$163,434	$162,474
MBank Houston	$3,170,976	$2,438,015
MBank Jefferson Co. (Port Arthur)	$334,167	$311,281
MBank Longview	$271,218	$261,499
MBank Marshall	$232,523	$222,120
MBank Midcities (Arlington)	$369,698	$347,826
MBank Odessa	$369,439	$351,687
MBank Orange	$157,467	$150,631
MBank Round Rock	$166,612	$166,864
MBank Sherman	$282,227	$270,207
MBank Wichita Falls	$447,180	$437,206
MBank The Woodlands	$160,933	$156,127

SOURCE: Office of the Comptroller of the Currency, Federal Deposit Insurance Corp.

MCorp's REMAINING BANKS

Figures in thousands as of Dec. 31, 1988

	Assets	Deposits	Equity capital
MBank El Paso	$1,314,483	$1,176,077	$63,140
MBank Corpus Christi	$799,193	$670,338	$25,536
MBank Waco	$476,631	$450,402	$10,047
MBank Brownsville	$452,587	$420,689	$22,325
MBank New Braunfels	$136,309	$129,376	$5,490

SOURCE: Federal Deposit Insurance Corp.

The Dallas Morning News

downtown Dallas headquarters of MBank Dallas — the modern and almost brand-new Momentum Place.

About that time MCorp officials received word that regulators had closed the first of the company's banks — MBank Round Rock, in a suburban community north of Austin.

The end was apparent, but dragged throughout the evening. It was not until 1 a.m. that the last bank was closed, in Sherman, a near the Oklahoma border, directly north of Dallas.

Staff writer William Choyke in Washington contributed to this report.

S&L real estate won't be dumped, Brady reassures Texans

DALLAS (AP) — Treasury Secretary Nicholas Brady assured Texas business leaders Tuesday that federal regulators would not disrupt the state's fragile recovery by dumping real estate gained through the closing of insolvent savings and loans.

In his first trip this year to the state hardest hit by the thrift crisis, Brady also pushed the Bush administration's $90 billion rescue plan as "the best realistic approach" and warned that the crisis is costing taxpayers $20 million per day and debate over alternative financing could increase the cost by as much as $500 million.

"We in Washington are aware that people in Texas are concerned that federal officials will 'dump' real estate held by insolvent S&Ls on the local market," Brady said Tuesday in a speech to the Greater Dallas Chamber of Commerce.

Local business leaders have frequently expressed the fear that the Federal Asset Disposition Association, or a proposed vehicle — the Resolution Trust Corp. — would unload the real estate at below-market prices to clear it off their books.

The FADA currently manages about 2,200 assets in 33 states, with an approximate value of about $3.8 billion. More than 1,500 of those assets, worth an estimated $2.59 billion, are in Texas.

"We understand the potential destructive effects on the local economies of wholesale dumping," Brady said. "Let me assure you that we intend to proceed very carefully with real estate sales."

Brady said the government also would be robbing itself by cut-rate sales, because the money generated can be used to help pay for the rescue plan.

Despite Brady's assurances, and other statements by FADA officials, the administration is resisting efforts by Sen. Timothy Wirth, D-Colo., and other legislators to write dumping obstacles into the S&L bill moving through Congress.

As an alternative, the Treasury Department is working on an operating plan for the Resolution Trust Corp., the government entity in the Bush proposal that would liquidate failed S&Ls, according to an administration official, who spoke on condition of anonymity.

The trust will be free to consider a number of innovative proposals for preventing dumping, including the creation of regional trusts to buy and manage problem properties or the "securitization" of pools of real estate for sale to public investors, the official said.

Brady also used the speech to campaign for the Bush plan, which would bring thrift regulation under the Treasury Department.

The plan would cost $40 billion to finance the insolvent institutions already taken care of and set aside another $50 billion to be spent during the next three years, Brady said. The principle would be paid by the industry, with the industry and taxpayers splitting the interest payments, Brady said.

"Some have suggested that the resolution of the crisis would be expedited by a one-time, lump-sum appropriation of the necessary funds by the government. I strongly disagree," Brady said.

Such an allocation would make it impossible to meet deficit reduction goals established by Gramm-Rudman, which calls for across-the-board budget cuts if the deficit exceeds certain levels.

HOUSTON CHRONICLE MAR 29 1989 D2B

Brady: Feds won't dump real estate

By GREG STEINMETZ
Houston Chronicle

Treasury Secretary Nicholas Brady said Tuesday that federal regulators would not sidetrack the state's economic recovery by selling property obtained from insolvent savings and loans at below-market prices.

Texas business leaders fear the government will hold a fire sale of the real estate it acquires from failed thrifts. Such a move, they say, would drive down depressed real estate values even further.

"We understand the potential destructive effects on the local economies of wholesale dumping," Brady said in a speech to the Greater Dallas Chamber of Commerce. "Let me assure you that we intend to proceed very carefully with real estate sales.

"Decisions will be evaluated and made with the best interest of everyone involved, particularly local communities, taken into consideration," he said.

The administration objects to efforts by Sen. Timothy Wirth, D-Colo., and others to write anti-dumping provisions into savings and loan rescue bills being considered by Congress.

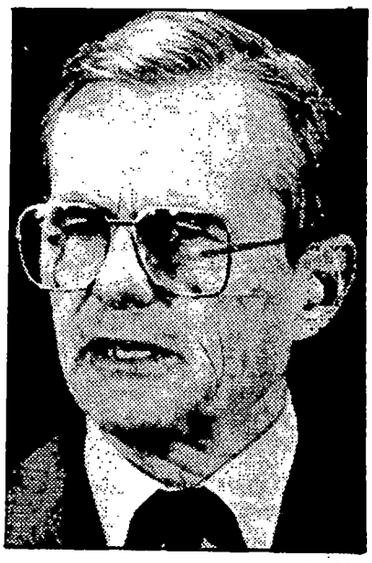
"Obviously there's some real estate that's junk . . . that has no value now, that never did have, never will have. You might as well get that behind you," Brady said. "There's other real estate that's well-conceived which has tenants in buildings and people living in condos . . . and those kinds of properties shouldn't be thrown on the market willy-nilly and won't be."

Speaking later in the day in Houston, Brady blasted a proposal to pay for the savings and loan rescue with a lump sum.

Brady, in remarks made after an address to the Greater Houston Partnership, said he opposes efforts to have the Treasury pay the entire cleanup bill immediately instead of spreading payments out over 30 years as called for under the administration proposal.

The Bush proposal would not impact the federal deficit, while the Democrat-backed plan would raise the deficit by about $50 billion, in violation of the Gramm-Rudman budget balancing law, he said.

"This is a very bad idea," Brady said. "In fact, it's a terrible idea, almost bordering on irresponsible."



Nicholas Brady

Sen. Don Riegle, D-Mich., and others have said their proposal would save money in the long run. They say the off-budget financing scheme proposed by Bush raises by billions of dollars the government's borrowing costs.

Brady conceded off-budget financing costs more than if the Treasury borrowed the money, but said the costs would soar even higher if the Gramm-Rudman constraints were abandoned.

"The idea would make a mockery of the Gramm-Rudman targets," he said. "That would raise interest rates in my opinion. Gramm-Rudman, like it or not, is still the only process the rest of the markets count on."

On Monday, Sen. Phil Gramm, the Texas Republican who sponsored the budget-balancing law, called on Brady to take a tougher stand against the Democratic proposal.

Separately, Brady said liquidations are a possibility for large insolvent savings and loans. When asked whether any savings and loan was too big to liquidate, he replied: "I doubt it, but you have to take those cases one by one."

He said the decision to liquidate assets and pay off the depositors depends on the quality of the thrift's asset portfolio. Thrifts with poor asset quality have a greater chance of being liquidated, he said.

Brady said the Bush proposal would do a lot to crack down on bank fraud. In addition to giving the Justice Department $50 million to investigate bank fraud, the bill includes harsher penalties for wrongdoers.

DALLAS MORNING NEWS

MAR 29 1989

Brady: S&Ls won't be closed en masse

By Michael Weiss P.1D
Staff Writer of The Dallas Morning News

Savings and loans across Texas will not be closed en masse and regulators will stand ready to work with some marginal institutions if they appear salvageable, Treasury Secretary Nicholas Brady told the Greater Dallas Chamber of Commerce on Tuesday.

Mr. Brady also argued that funding for Resolution Trust Co., which is to sell $50 billion in bonds to finance the Bush thrift bailout plan, be kept off budget where it cannot throw the government out of compliance with Gramm-Rudman spending constraints.

"It is important that we do not make a mockery of Gramm-Rudman," Mr. Brady said. "It is not only the law of the land; it is the wheelhorse of the fiscal discipline that will drive our deficit down."

Raising the money to finance the $110 billion Bush plan will get the S&L industry back on its feet and allow regulators to shut down hemorrhaging, broke thrifts, he said.

"In no way should an insolvent thrift that is not coming back be kept open," Rep. Steve Bartlett, R-Dallas, told reporters following Mr. Brady's remarks to chamber members. Mr. Bartlett is a member of the House Banking Committee, which he predicted should complete its work by the end of May and have legislation to the president that is little changed from the original Bush plan.

"The main point is to get some money in the process," Mr. Brady told the chamber. "Once we get

Please see BRADY on Page 2D.

Brady says S&Ls won't be closed en masse

Continued from Page 1D.

cash, we will get actual motion in the resolution process, and we will be better off."

Texas has been the center of the thrift crisis. Of 217 thrift resolutions during 1988, 88 were in Texas. According to figures from the Federal Home Loan Bank Board, the industry's primary regulator, 69 insolvent thrifts holding $26.5 billion in assets continue in business in the Southwest. Another 54, with an asset base of $17.7 billion, are regarded as troubled and likely to require new capital.

Responding to questions from the audience, Mr. Brady said regulators have no intention of dumping real estate acquired from broke S&Ls.

"Some real estate is junk," Mr. Brady said. "There is other real estate that is well conceived . . . And these properties shouldn't be thrown on the market willy-nilly, and they won't be."

While rising short-term interest rates widen the losses incurred by insolvent thrifts, Mr. Brady said he concurs with Federal Reserve Chairman Alan Greenspan that fighting inflation is important — although the two officials may not agree on the means of waging the battle.

"There are as many indications that inflation is holding level as it is going up," Mr. Brady said.

Meanwhile, Mr. Bartlett held out hope that savings and loans' minimum capital requirements — scheduled in the Bush plan to be virtually doubled by 1991 to match the 6 percent level currently in effect for banks — could be stretched to 1993.

"I am not so sure 1991 requirements can be met by a significant number of institutions in the Southwest," Mr. Bartlett said.

He also suggested that the 12 Federal Home Loan Banks, institutions owned by the thrift industry and used to help the S&Ls meet their liquidity requirements, could also remain independent.

Under the Bush plan, the bank board system is to be placed under the jurisdiction of the Treasury Department along with regulatory oversight of the thrift industry.

The thrift industry, led by the U.S. League of Savings Institutions, has said it fears loss of the independent home loan bank system and its credit network under the Bush plan.

FORT WORTH STAR TELEGRAM

MAR 29 1989

Sec. 1
P. 1

'OFF-BUDGET' BORROWING HAS LAWMAKERS WORRIED

Treasury standing firm on thrift crisis remedies

BY STEVE ZUCKERMAN
Fort Worth Star-Telegram

Treasury Secretary Nicholas Brady said yesterday that the administration does not intend to back down from two controversial aspects of President Bush's thrift rescue plan.

Brady said the Treasury Department remains in favor of borrowing $50 billion or more to resolve the thrift crisis largely "off-budget" so as not to affect the federal deficit.

Several lawmakers and industry experts, who recently have speculated on a softening of the administration's position, think that will result in adding billions of dollars to the ultimate cost, and in taxpayers having to foot more of the bill.

Brady also said the administration will continue to push for its plan to double capital requirements at savings and loans by 1991. Experts, including many Texas thrift executives, say the proposal could result in hundreds of marginally solvent thrifts going out of business during the next several years.

Brady made his remarks in Dallas at a breakfast meeting sponsored by the Dallas Chamber of Commerce. The meeting was followed by a question-and-answer session with reporters.

He was joined by Rep. Steve Bartlett, R-Dallas, a member of the House Banking Committee. Bartlett said he expects Congress to modify the administration's proposal and to have a bill ready for the president's consideration in May.

On Feb. 6, Bush proposed a $90 billion rescue of the savings and loan industry, with $50 billion of that coming from the sale of long-term bonds and thus not part of the federal budget process. The principal on those bonds is to be repaid through increased bank and thrift insurance premiums. The interest on the bonds and the remaining $40 billion of the rescue plan

(More on BRADY on Page 3)

Brady / From Page 1

is to come from taxpayer money.

"Some have suggested that the resolution of the (thrift) crisis would be expedited by a one-time, lump sum appropriation of the necessary funds by the government," said Brady.

"I strongly disagree. The taxpayers did not create this problem — there is no reason why they should have to shoulder the full burden of solving it.

"There is another reason not to try to force the taxpayer to absorb the full brunt of the financing — the intent and integrity of Gramm-Rudman-Hollings" (budget-balancing law).

"If we open up the issue of exemptions to Gramm-Rudman, the one sure consequence will be delay in the passage of this legislation. We cannot afford a delay. If the debate over alternate financial plans takes even three weeks, the cost to the taxpayer goes up by $500 million."

Brady then explained why he supports increasing capital requirements for thrifts to 6 percent from 3 percent in two years.

"Our plan requires that thrifts operate under the same accounting standards as commercial banks," he said.

"Some have suggested that the higher capital requirements will force out of business otherwise healthy S&Ls. This is highly unlikely. The industry is in better capital shape than many believe. First, 50 percent of all solvent S&Ls today meet the 6-percent standard.

"Also, the capital standard is not a make-it-or-be-liquidated standard. If a thrift has a realistic business plan and shows real progress toward reaching the standard, federal regulators have the authority to extend the time period for reaching the standard."

Bartlett opposes doubling the capital standards by 1991, favoring instead a 1993 deadline. He said he expects a compromise to be reached by lawmakers.

Bartlett also said Congress will call for other changes in the president's plan. He said lawmakers probably will recommend that bank holding companies immediately be permitted to acquire savings institutions. The administration's plan calls for a two-year moratorium before banks can buy thrifts.

Both Bartlett and Brady said regulators do not intend to sell the billions of dollars' worth of real estate owned by the savings institutions at below-market prices.

"We in Washington are aware that people in Texas are concerned that federal officials will dump real estate held by insolvent S&Ls on the local market," Brady said. "We understand the potential destructive effects on the local economies of wholesale dumping. Let me assure you that we intend to proceed very carefully with real estate sales."

21 more Texas S&Ls taken over

DALLAS TIMES HERALD

MAR 10 1989

U.S. total reaches 118

By Ross Ramsey p.C1

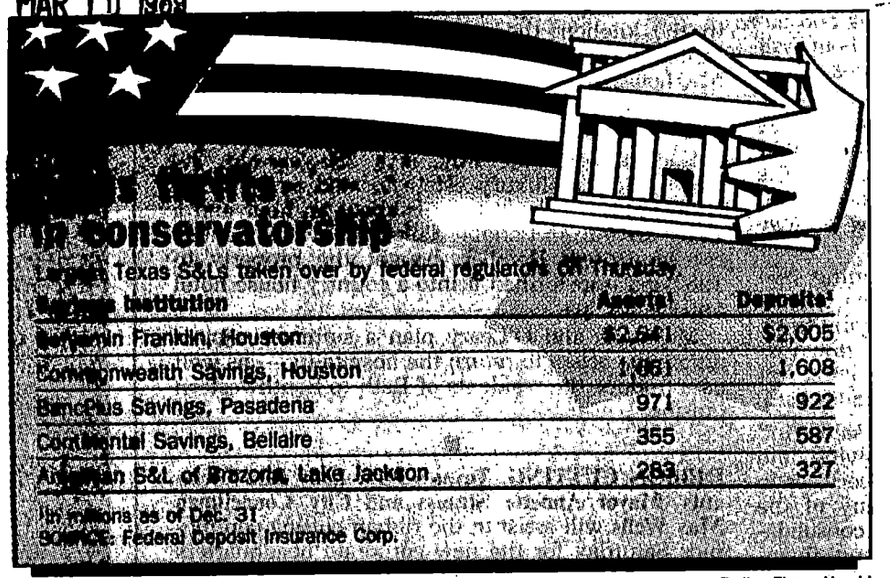
OF THE TIMES HERALD STAFF

Government regulators took over 45 savings and loan institutions Thursday, including 21 in Texas, crossing the halfway point in their efforts to stop the bleeding in the nation's 200 most insolvent thrifts.

The Texas thrifts, all in the Houston area, have $7.3 billion in assets and $7.4 billion in deposits. Only two of the Texas thrifts taken over — Continental Savings of Bellaire and Benjamin Franklin Savings of Houston — have branches in the Dallas-Fort Worth area.

Regulators also took control of thrifts in Alabama, Colorado, Georgia, Michigan, New Mexico, Pennsylvania and Tennessee.

The thrifts were placed in conservatorship as part of the Bush administration's plan to solve the S&L crisis. Including Thursday's action, the Federal Deposit Insurance Corp. has been named managing agent for 118 savings and loans in 24 states.



Dallas Times Herald

The FDIC is taking control of the thrifts on an interim basis, to control losses while Congress considers Bush's proposal.

Together, the 45 thrifts have assets of $13.6 billion and deposits totaling $13.0 billion, officials said. Three of the S&Ls have more than $1 billion in assets: Hill Financial Savings of Red Hill, Pa., $3.0 billion; Benjamin Franklin, $2.6 billion; and Commonwealth Savings Association of Houston, $1.7 billion.

Commonwealth Mortgage Corporation of America, a subsidiary of Commonwealth Savings, has two branches in the Dallas area and is one of the largest mortgage banking firms in the United States, servicing about $12 billion in mortgage loans.

Please see **TAKEOVER, C-7**

TAKEOVER

From C-1

In addition to the three Texas thrifts mentioned previously, other S&Ls in the state put into conservatorships include:

Western Gulf Savings and Loan Association, Bay City; Citizens of Texas Savings and Loan Association, Baytown; Century Savings and Loan Association, Baytown; Trinity Valley Savings and Loan Association, Cleveland; Southeastern Savings Association, Dayton; Bankers Savings and Loan Association, Galveston; Village Savings, Houston; Universal Savings Association, Houston; Ameriway Savings, Houston; Spring Branch Savings and Loan Association, Houston; First Capital Savings Association of Texas, Houston; Humble Savings and Loan Association, Humble; Bayshore Savings Association, La Porte; American Savings and Loan Association of Brazoria, Lake Jackson; City Savings Association, League City; Liberty County Federal Savings and Loan Association, Liberty; BancPlus Savings Association, Pasadena; and First Equity Savings Association, Tomball.

S&L withdrawals hit record $10.7 billion in January

Continued from Page 1D.

focused on the government's deliberations of a thrift bailout plan. News reports circulated late in the month that President Bush might levy a special fee on insured deposits to finance the rescue of the nation's thrifts.

The Bush administration in early February announced a plan that did not include the deposit levy. The thrift industry and taxpayers instead would contribute a combined $110 billion over 10 years toward the bailout.

In addition, Mr. Barth pointed to the higher rates offered by money market funds, which also caused depositors to switch large amounts of deposits from banks and savings and loans in the late 1970s and early 1980s.

During January, for example, rates on three-month deposit certificates at thrifts increased an average of 16 basis points, compared to a hike of 41 basis points among money market funds. A basis point equals one one-hundredth of a percentage point.

Meanwhile, at many institutions sold by the bank board last year, regulators have attempted to shrink asset bases, Mr. Barth said. Thirty percent of the outflow came from the five Southwest states, home of nearly half of the more than 200 thrifts sold or closed by the bank board last year.

Meanwhile, the bank board's estimate of the cost for those transactions came under attack from government auditors. Over the weekend, a top official of the U.S. General Accounting Office said the bank board had underestimated the negative net worth of institutions involved in the transactions, particularly in Texas.

On Tuesday, officials at Southwest Savings Association of Dallas acknowledged an audit of the four institutions acquired in 1988 by that thrift would show a deeper hole that must be filled by the Federal Savings and Loan Insurance Corp.

At the time of the May transaction, the agency estimated it would need to commit $483 million to balance the assets and liabilities of the institutions acquired by Southwest Savings in the assisted transaction.

On Tuesday, Southwest Savings executive vice president Richard Park said that amount would increase but said he did not know by how much.

An FSLIC spokesman said an outside auditing firm had completed its review of the Southwest Savings portfolio, but the agency is not ready to release the new figure.

Withdrawals at S&Ls hit record

MAR 15 1990

By David LaGesse
Staff Writer of The Dallas Morning News

Depositors withdrew a record $10.7 billion from the nation's savings and loans in January — the month that news reports said the federal government might levy a fee on bank and thrift accounts.

Thrift regulators also attributed the withdrawals to consumers seeking higher interest rates offered by money market funds, and to a planned program of shrinking the size of some institutions.

"Rates offered by thrifts and commercial banks have been increasing far less rapidly than those on competing investments," James Barth, chief economist of the Federal Home Loan Bank Board in Washington, said in a statement.

The figures indicated an acceleration of deposit outflows from the nation's savings and loans that began late last year. The bank board previously reported deposit outflows of $8.1 billion in December, which it revised Tuesday to $8.3 billion, and $7.1 billion in November.

The record withdrawals in January more than doubled the estimate earlier this month by bank board chairman M. Danny Wall. Mr. Wall at the time told a congressional committee that he thought deposit outflows from thrifts had reached $5 billion for the first month of the year, and a like number in February.

Four of five savings and loans experienced deposit declines in January, when speculation

Please see S&L on Page 4D.

U.S. urged to rethink S&L deals

PIA

Viability of Texas thrifts concerns GAO officials

By Robert Dodge MAR 15 1989
Washington Bureau of The Dallas Morning News

WASHINGTON — The General Accounting Office said Tuesday that it is concerned about the viability of the Texas savings and loan industry and recommended that regulators find a way out of financial commitments to thrifts merged under the now-defunct Southwest Plan.

Senior officials of the GAO, the watchdog auditors of Congress, said the flurry of savings and loan

■ Record S&L withdrawals. 1D

mergers in the waning hours of 1988 was too complex and would eventually cost far more than authorities originally estimated.

"The government will be robbed if you do not watch these deals," said Comptroller General Charles A. Bowsher. He warned the Senate Banking Committee on Tuesday that future thrift rescues need more safeguards than were included in transactions completed by the Federal Savings and Loan Insurance Corp. in the final hours of 1988.

"We believe the deals should be carefully reexamined," Mr. Bowsher said.

And in a prepared statement delivered to House Banking Committee Chairman Henry B. Gonzalez, D-San Antonio, assistant comptroller general Richard L. Fogel said, "A thrift industry still exists in Texas, but we are concerned about its viability."

Mr. Fogel's concern was raised after the GAO completed a study of a dozen thrift mergers — including eight in Texas — by regulators last year.

In Texas last year, authorities approved 15 transactions involving the merger of 87 insolvent thrifts at a cost of $44 billion, allowing for inflation.

Senior GAO officials told the Senate committee they do not believe the government can abrogate its contracts with investors who bought Texas S&Ls with FSLIC assistance. But they said regulators can buy the distressed real estate held by the reconfigured thrifts, as well as prepay "net worth certificates" — notes issued as capital to the S&Ls instead of cash.

Mr. Fogel told senators that the Bush administration's proposed thrift bailout package would allow for the government to pay off its financial commitment early.

"We think there are sufficient powers in there that will allow them to do that," Mr. Fogel said. "But in doing that, you have to look at the provi-

Please see U.S. on Page 12A.

U.S. urged to re-examine S&L deals

Continued from Page 1A.

sions of the contracts in each deal. We do not favor abrogating the contracts in the deals."

Also Tuesday, Kevin Gottlieb, the Senate panel's staff director, said his aides are studying options to replace the financing mechanism proposed in the Bush administration package. President Bush's plan calls for an entity separate from the Treasury Department to raise $50 billion to close and merge insolvent thrifts.

Mr. Gottlieb said the Bush measure might be amended to place caps on appropriations and to use direct Treasury borrowings to give Congress greater oversight. In addition, borrowing costs could be reduced.

The committee staff plans to present specific legislative proposals to senators when they return from the Easter recess, Mr. Gottlieb said.

He also said the time frame for closing and merging insolvent thrifts might be shortened with a modified financing plan once the Federal Deposit Insurance Corp. has taken control of about 224 broke S&Ls. That would be possible, Mr. Gottlieb said, if FDIC officials are able to segment and clearly define the costs of resolving specific groups of insolvent institutions.

But GAO officials warned that Congress should not overlook ways to reduce the government's exposure to deals made last year. In fact, officials told the Senate committee that, if inflation is figured in, liquidating all the Southwest Plan thrifts would have been cheaper than merging or closing them.

Before adjusting for inflation, the GAO said all the 220 S&Ls merged or closed in 1988 will cost $37 billion. But Mr. Fogel said that after inflation, the cost will be closer to $62 billion, a figure he said is still probably substantially below the final bill.

Sen. Phil Gramm, R-Texas, a member of the Banking Committee, mustered a qualified defense of the FSLIC and Danny Wall, chairman of the Federal Home Loan Bank board.

"It is awfully easy to come in when the war is over and the bodies are strewn here and there and second-guess the generals," Mr. Gramm said. "The reality is Danny Wall never had the resources that would give him the broad option to close institutions, and as a result he always dealt from a position of weakness."

But even Mr. Gramm questioned the GAO about the possibility of removing distressed real estate assets from the restructured Texas thrifts. He agreed with the auditors that some of the thrifts have a greater incentive to sell the assets at a loss to reap tax benefits than to maximize their returns through prudent management.

"It makes me nervous for the federal government directly or indirectly to be managing great quantities of property," Mr. Gramm said. "I do not want to rush out and sell all of it at a fire sale, but on the other hand, I do not want to sit on it for 15 years, either."

Raising other questions about the propriety of the Southwest Plan deals, senators suggested that opportunists were still milking the thrift industry and the FSLIC.

Among the FSLIC-assisted deals drawing the most fire was the one that created First Gibraltar Bank of Dallas, backed by an investment group led by Revlon Group Inc. chairman Ronald O. Perelman.

Committee Chairman Donald W. Riegle Jr., D-Mich., expressed "moral outrage" at a $1 million annual salary being paid to the thrift's chairman, Dallas banker Gerald J. Ford.

"That's four times what the president makes," Mr. Riegle said. "It is excessive. It's just excessive."

Mr. Perelman and regulators are renegotiating Mr. Ford's salary, according to regulatory sources.

Mr. Riegle also suggested that a former bank board attorney, Thomas Vartanian, now in private practice with a Washington law firm, used his influence to represent 55 investors who bought thrifts in FSLIC-assisted transactions. He said this took place when regulators did not return other prospective investors' phone calls.

Sen. Bob Graham, D-Fla., said such incidents were new examples of how taxpayers have been victims of "gang ravage" in the S&L crisis.

"We have nothing less than a scandal that dwarfs anything in this country's financial history," Mr. Graham said. "The American people have every right to feel that they have been ravaged by this circumstance."

January S&L drain tops total for '88

PC-1

MAR 15 1989

By Bob Drummond
TIMES HERALD WASHINGTON BUREAU

WASHINGTON — Customers pulled record amounts of money from savings and loans in January, cutting the troubled industry's deposits during that month more than during all of 1988, federal regulators announced Tuesday.

During the first month of 1989, the Federal Home Loan Bank Board said, withdrawals exceeded deposits by more than $10.7 billion, with 30 percent of that total coming from thrifts in the five-state region that includes Texas.

The January figure topped both December's one-month record of $8.3 billion in net withdrawals and 1988's total annual figure of $8.6 billion.

In fact, bank board chief economist James Barth said withdrawals surpassed deposits during January by more than they have during any full year in the bank board's history. Shaky and healthy institutions alike generally had a downswing, with 80 percent of the nation's nearly 3,000 thrifts seeing withdrawals outpace deposits.

Barth also estimated that the outflow continued during February, when withdrawals are expected to outpace deposits by $8 billion to $9 billion. Final February statistics will not be

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S&L

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available until April.

Deflecting questions about whether the deposit outflow represented a mini-run on the industry, Barth attributed the rise in withdrawals to many economic and regulatory factors, singling out a marked rise in interest paid by the money market funds that compete with thrifts and banks for deposits.

But Barth acknowledged that consumer worries about the health of S&Ls contributed to the outflow.

"Depositor nervousness," Barth said, "... is most difficult to quantify, but undoubtedly played a role."

Shortly after the beginning of the year, when the bank board closed the books on 1988, the media also distributed stories identifying troubled S&Ls by name, which could have prompted withdrawals.

"If [people] get nervous about the access to their funds, then they might take their funds out of those institutions and place them elsewhere."

Another factor in January, Barth said, was the Bush administration's then-current — but quickly abandoned — proposal to tax thrift deposits to pay for an industry bailout package.

"Some customers of thrifts might have shifted to nearby commercial banks in the belief that there was indeed the possibility that there would be a tax or fee placed on their deposits."

But Barth insisted that the primary factor was a sharp widening of the difference between interest offered by thrifts and money market accounts.

During January, the average money market fund offered an interest rate 1.25 percentage points higher than the rate offered for an average three-month certificate of deposit at an S&L.

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FDIC

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tial writeoffs of loans.

Real estate lending problems are likely to be more severe in Texas and Oklahoma than in other states, but Seidman warned that there could be "a huge effect on real estate markets" as the FDIC begins selling assets it is acquiring from closed savings and loan associations.

He noted that real estate prices have weakened recently in various markets in the eastern part of the country.

Seidman estimated that the agency would end up owning about $100 billion worth of land and developed real estate from the closing of 550 insolvent savings institutions and an additional 200 to 300 that by some definitions are also insolvent.

About $60 billion of the assets are not available for quick sale because they are covered by contracts arranged by the Federal Savings and Loan Insurance Corp., before its role in closing savings and loans was assumed by the FDIC.

But the $40 billion of real estate the FDIC expects to control, plus the $9 billion it already holds, will be available for sale.

Seidman said recovery in real estate prices is not helped by holding merchandise off the market. But he added that real estate will not be dumped, and the "sales will take many, many years."

Bank profits may drop this year because non-recurring events raised profits in 1988, the FDIC chairman said.

For example, profits were raised $2 billion by inclusion of past-due interest on loans to Brazil.

Also, the FDIC profit total did not include $2.3 billion of losses in the first half by First Republicbank Corp. of Texas. First Republic was merged in the third quarter with the NCNB Corp., so its first-half losses were not counted.

About $13 billion of the bank industry's profits, or slightly more than half, was paid to shareholders as dividends.

The remaining profit was enough to increase banks' capital by 9 percent, to 6.3 percent of assets. Although bank capital is at a record level, Seidman noted in his prepared comments, "a more conservative approach would have provided a greater capital base to improve 1989 earnings."

The profit total for the nation's nearly 14,000 banks included the losses at about 14 percent of them. Details of the profit data will be announced today by the FDIC.

'88 FDIC's 'worst year ever' despite bank profits

HOUSTON CHRONICLE P1C

MAR 14 1989

By MICHAEL QUINT
New York Times

NEW YORK — Bank profits set a record in 1988, but for the Federal Deposit Insurance Corp., which insures bank deposits, "it was the worst year ever," L. William Seidman, chairman of the FDIC, told analysts Monday.

While bank profits totaled $25.3 billion last year, Seidman noted, the cost of closing several large banks in Texas led to the first annual loss for the agency, which was organized in 1933.

■ Federal officials are reviewing a plan to protect fragile regional economies from the quick sale of billions of dollars of real estate repossessed from failed thrifts: Page 2C.

After spending $7 billion on closing or merging 221 banks, the agency's reserve fund fell by $4.2 billion, to $14 billion.

But this year the FDIC should break even or operate at a surplus, Seidman said.

"We expect fewer failures in 1989," he said, "and no large institutions" of the size that were closed in Texas over the last year.

Seidman said the "problem list" now includes 1,350 banks, down 10 percent from a year ago and 20 percent from the peak in 1987.

Bank profits in 1989 are not likely to match the 1988 level, Seidman said in a speech to the New York Society of Security Analysts.

Looking ahead to possible problems in real estate lending or a weakening of the economy, he said that this year banks that have been conservative lenders are likely to outperform those that have had more liberal policies.

Seidman said losses on loans to less-developed countries should be substantial this year, and banks will be under a lot of pressure to participate in the program announced Friday by Treasury Secretary Nicholas F. Brady.

The new program calls for banks to accept losses by voluntarily agreeing to exchange outstanding loans for smaller amounts of new securities.

Seidman said the exchange needs to be supplemented by changes in tax policy so that banks might claim tax benefits for par-

See FDIC on Page 7C.

Study assails S&L mergers

GAO favored liquidation in some '88 deals

By Robert Dodge
Washington Bureau of The Dallas Morning News

WASHINGTON — In a highly critical report, the General Accounting Office concludes that it would have been cheaper to liquidate as many as a third of the thrift mergers that federal regulators hastily arranged in the waning hours of 1988.

The report, to be presented Tuesday to the Senate Banking Committee, says a GAO study of a dozen transactions showed that the 86 deals undertaken by the Federal Savings and Loan Insurance Corp. in 1988 will cost more than the $37 billion estimated by federal regulators.

"Our analysis suggests that liquidation could have been less costly for as many as a third of the transactions," says Charles A. Bowsher, comptroller general in testimony delivered to Capitol Hill on Monday and obtained by *The Dallas Morning News*.

Referring to the weak condition of the FSLIC, Federal Home Loan Bank Board Chairman M. Danny Wall said that regulators did the best job they could with limited resources.

"Most of what they (GAO) are talking about is if we were in a perfect world," Mr. Wall said Monday. "And that is not what we were dealing with."

Rep. Steve Bartlett, R-Dallas, a member of the House Banking Committee, said he was given an advance description of the report during the weekend at a committee hearing in San Antonio and concluded that it was "one-sided."

"It starts off with a policy conclusion and then tries to make the facts fit their predetermined conclusion," Mr. Bartlett said. "They were not seeking to report the facts. They had written their conclusions before

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GAO faults 11th-hour thrift mergers in '88

Continued from Page 1A.

they saw the facts."

Mr. Wall noted that the GAO report calls for the deals to be re-examined under the Bush administration's thrift bailout plan and the recommendation is made with the qualification that the option to unwind the deals "depends on the availablility of adequate funding."

"That is the best endorsement I have seen of our contracts," Mr. Wall said. When I read that, I said, 'What the hell else does the rest of this mean?' "

But the GAO report questions whether the S&L deals created viable new thrifts.

The GAO, the investigative arm of Congress, says the newly merged S&Ls are thinly capitalized and do not have incentives to responsibly manage their distressed real estate assets. Yet it notes the restructured thrifts have been given the authority to undertake new investment activities normally allowed only for institutions with strong capital.

Of the dozen analyzed deals, which created 15 new thrifts, the GAO found that about half the institutions had capital of less than 3 percent of their assets. Regulators now require savings associations to maintain a minimum capital ratio of 3 percent, a level that will be raised to 6 percent under the Bush administration's thrift bailout plan.

"The assisted thrifts have certain financial advantages and protections that unassisted depository institutions do not," Mr. Bowsher said in his prepared testimony. "The advantages stem from the relatively low level of acquirer capital, the FSLIC assistance and guarantees, forbearances and the tax savings."

Moreover, the GAO questions whether the FSLIC has adequate resources to monitor the complex transactions.

But Mr. Wall argued the GAO capital analysis was faulty because it did not consider that the FSLIC is protecting many of the reconfigured S&Ls from future losses from distressed real estate assets. He argued that capital ratios should be figured excluding the distressed assets.

"To say they are thinly capitalized is to ignore the FSLIC coverage," Mr. Wall said.

The GAO says the cost of the deals will be higher than anticipated partly because the FSLIC failed to account fully for the cost of tax benefits to investors who bought the insolvent savings associations. Those benefits allow the investors to take losses from the distressed real estate and apply it to profits from other operations before paying taxes.

According to the GAO analysis, the tax benefits in the 86 transactions for 1988 will total between $7 billion and $8 billion, or about 20 percent to 40 percent more than projected by FSLIC.

"FSLIC did not have sufficient information to undertake an evaluation of tax benefits at the time the transactions were approved," Mr. Bowsher says in his prepared testimony, noting that the agency did not make its estimates until after the deals were closed in January.

"It seems highly unlikely that the FSLIC got full value for these benefits in all the transactions," Mr. Bowsher says.

Taking all factors together, the GAO said it may have been cheaper to liquidate many of the insolvent thrifts rather than combine them in the government-assisted mergers.

"If the full cost of the deals to the federal government is considered," Mr. Bowsher says, "our analysis suggests that liquidation could have been cheaper in as many as a third of the transactions we reviewed."

But Mr. Wall argues that FSLIC did not have the cash resources to close S&Ls and pay off depositors. He says liquidation would have been impossible until 1989 or 1990, when the cost of closing insolvent thrifts would have substantially risen, making that option even more expensive.

"They (GAO) are not really talking about apples and apples here," Mr. Wall said. "We did not have that option."

Another reason the deals may turn out to be more expensive than anticipated, the GAO says, is that regulators did not do an adequate job of soliciting potential bidders. The report says the process forced buyers to acquire less-desirable insolvent institutions in packages with other thrifts and required bids to be submitted without knowing precisely which S&Ls were to be included in a package.

Danny Wall . . . says regulators did the best job they could with limited resources.

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Gonzalez says S&L regulator should resign

By DAVID J. SHAFFER
Business reporter

U.S. Rep. Henry B. Gonzalez asked Friday for the resignation of M. Danny Wall, the nation's top savings and loan regulator, accusing him of lying to Congress about the depth of the S&L crisis.

"Time and time again he has misled the Congress," Gonzalez said during a hearing of the House Banking Committee in San Antonio..

Gonzalez is chairman of the committee, which was scheduled to resume its hearings at 9 a.m. today at 514 W. Commerce.

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■ S&L hearings attract diverse crowd .....Page E1

In 1987, Wall estimated the Federal Savings and Loan Insurance Corp. was insolvent by roughly $17 billion, but a recent study shows the depth of the problem has at least quadrupled, said Frederick Wolf, chief thrift auditor of the General Accounting Office, Congress' investigative arm.

That news angered Gonzalez, who said Wolf's testimony directly contradicted information Wall gave earlier this year.

"After the documented testimony by the GAO, there is no question that Mr. Wall, in a sustained and calculated fashion, deceived the Congress. I just find that unforgivable," Gonzalez said.

Some administration officials are suggesting Wall, now chairman of the Federal Home Loan Bank Board and the FSLIC, should be given another regulatory job under President Bush's plan to rework the thrift industry.

"I can't think of anything that would be more disgusting to us in the Congress," Gonzalez said. "The Congress and the public, which have been ... misinformed, should insist that the people involved step aside."

George Barclay, president of the Federal Home Loan Bank of Dallas, defended Wall after appearing

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S&L: Regulator blasted

S&L from **A1**

before the committee.

"I think Danny Wall has done a masterful job in a very difficult position," he said. "Not perfect, but pretty good."

Gonzalez disagreed strongly.

"I'm not in that forgiving mood any longer," he said.

"Throughout this long fight to develop a sane approach to the problem, the Congress and the American public have been handicapped by a blizzard of conflicting numbers about the size and cost of the crisis. I truly fault ... Wall for his performance on this score throughout 1988 - the Wall Number-Of-The-Month-Club, I call it. It was an obvious effort to mislead, to obscure and to minimize the problem," Gonzalez said during his opening statement.

> *It was an obvious effort to mislead, to obscure and to minimize the problem.*
>
> **– REP. HENRY B. GONZALEZ**
> About the S&L crisis handling

Wall also came under fire for the rapid succession of thrift mergers he completed in the final weeks of 1988.

Those deals included millions of dollars in tax benefits for acquirers, who often bought multi-billion-dollar institutions with relatively small capital investments.

"Those deals were terribly expensive and probably more expensive than other things they could have done," Wolf said.

For example, the deposits of ailing institutions could have been transferred to other S&Ls, and the government could have retained control of the assets, Wolf said.

That would have eliminated the need to pay costly yield maintenance, which amounts to a guaranteed profit, on the non-performing assets assumed by surviving institutions.

Congress should examine those deals, because it is possible Wall went beyond his authority in offering guarantees to acquirers of insolvent thrifts, Gonzalez said.

The ultimate cost of resolving the thrift crisis will be at least $99 billion, with the potential to go higher, Wolf said.

The Bush administration's latest estimate is $110 billion.

Despite the high cost, Congress should address the S&L crisis "on-budget," rather than using private placement of bonds, because Treasury borrowings would cost taxpayers $3 billion less in interest payments, Wolf said.

It would be less expensive, in the long run, to raise taxes to pay for the rescue, rather than by borrowing $50 billion, as suggested under Bush's plan, Wolf said.

Borrowing the money will increase the cost to taxpayers by roughly $138 billion.

But Congress will not raise taxes, said U.S. Rep. Steve Bartlett, R-Dallas. That echoed President Bush's no-tax pledge during the presidential election campaign.

In other testimony, Barclay urged Congress to reconsider proposed rules that would require S&Ls to increase capital levels from the current 3 percent minimum to 6 percent of assets by 1991. Capital is an institution's own savings, which serves as a cushion against future losses.

Few S&Ls in Texas could reach the 6 percent capital level by 1991, Barclay said.

Of roughly 100 remaining solvent S&Ls in the state, Barclay said, "I think 50 will make it and about 50 won't.

"Of the 50 that will make it, maybe 10 will achieve 6 percent capital by 1991."

If Congress wants to mandate 6 percent capital by 1991, it should create a special "community service" category for those S&Ls that are solvent in 1991 but don't meet the new capital level, he said.

Thrifts in that category would be limited to providing mortgage loans, basic deposit services and other community service functions until they reach the 6 percent capital level, Barclay said.

That would give those thrifts time to recover and avoid additional thrift closings, which would increase the cost to the government, Barclay said.

The committee hearings in San Antonio are the first steps toward producing legislation based on Bush's thrift revitalization proposal, made just after he came into office.

Bartlett said he hopes Congress will move quickly on the thrift issue and get legislation to Bush's desk by the end of March.

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FISCAL NOTES

Bob Bullock, Texas Comptroller of Public Accounts Economic Analysis Center

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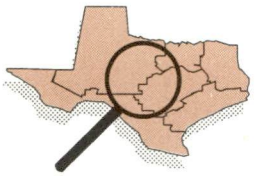

Texas closeup

Border bolstered by twin plants. Page 3.

Central Corridor recovery accelerates. Page 4.

East Texas boosted by timber gains. Page 5.

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Metroplex gets back on track. Page 7.

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Texas at a glance

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Business outlook improves for 1989 Page 12.

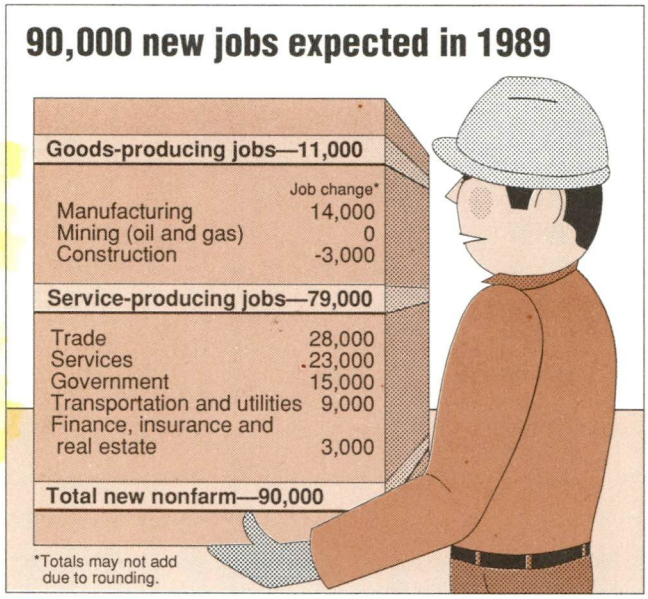
Texas rebound shifts to expansion in 1989

Texas is on the rebound to a healthy economy and is expected to add 90,000 new jobs during 1989, setting a record with 6.7 million Texans gainfully employed by year's end.

Since the recession's low point in spring 1987, the state has gained 176,000 jobs and recovered 80 percent of the jobs lost during the 1986-87 recession. Unemployment has dropped nearly three points, to about seven percent by the end of 1988.

Assuming the U.S. economy remains healthy and oil prices are relatively stable in the current range, Texas' economic growth will continue through 1989. By the end of the year, recovery will turn into expansion as statewide employment surpasses its late-1985 peak.

"Texas has weathered the oil-bust years well," said Comptroller Bob Bullock. "We've regained most of the ground we lost, and the state's outlook continues to improve."



Source: Bob Bullock, Comptroller of Public Accounts.

The major force behind Texas' recovery will continue to be manufacturing, as it benefits from the lower dollar and increasing competitiveness of U.S. exports. But most of the new jobs will be in trade and services. Oil and gas are expected to remain relatively stable, and real estate and construction should hit bottom in the middle of the year.

In 1989, the overall Texas economy will grow by 2.4 percent, about the same as the national economy. Personal income will increase by more than 7 percent. The state will gain almost 200,000 in population and more people will move to Texas than leave.

Key factor: Manufacturing will continue to lead the recovery in 1989, but the rate of growth will slow somewhat from 1988's rapid pace as the positive effects of the declining

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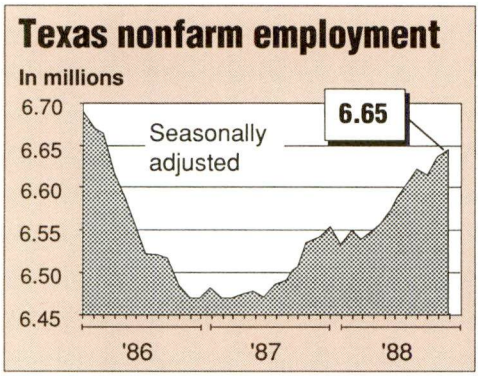
dollar diminish and the U.S. economy slows.

Overall, manufacturing employment will increase approximately 14,000, or 1.5 percent. Electronics, computers, and printing and publishing will provide most of the new manufacturing jobs during the year.



SOURCES: Texas Employment Commission and Bob Bullock, Comptroller of Public Accounts.

Petrochemicals, while not a major job generator, will continue to add production capacity with new plants and expansions. More than 150 new petrochemical projects valued at $5.0 billion are planned or under construction in the Houston area alone. Also during the year, groundbreaking will begin on the $1.3 billion Formosa Plastics complex in Point Comfort, which eventually will employ 1,700 people.

Energy stable: The recent OPEC agreement should help stabilize oil prices at around $15 to $16 per barrel and allow oil and gas drilling activity and employment to remain steady through the end of 1989.

Oil and gas remains a major industry in Texas, but the diversification of the Texas economy has greatly reduced the state's dependence on this single industry. Oil and gas accounts for about 15 percent of the state economy, down from a peak of 27 percent in 1981.

A protracted decline in oil prices below $15 per barrel could lead to additional job losses in oil and gas, but prices would have to fall to $10 or below for six months or longer in order to pull the overall state economy into recession.

Building hits bottom: The Texas construction industry appears close to bottoming out. Residential and nonresidential construction have stabilized, existing home sales are up, housing permits are slowly increasing and apartment and office vacancy rates are gradually declining.

Despite these positive signs, the future growth of Texas's construction industry will be severely limited by high vacancy rates and massive overbuilding. A significant rebound in the state's construction industry remains at least two or three years away.

In 1989, however, housing and nonresidential construction will recover from all-time lows. Housing starts will increase from 1988's 42,000 to 53,000, and total nonresidential construction will rise from 54.3 to 61.0 million square feet.

Statewide construction employment will probably hit bottom around the middle of the year. Overall, construction employment will decline by 3,000 or 1.0 percent during the entire year.

New jobs: While Texas' economic recovery is being driven by manufacturing, most of the new jobs will be in services. Just like the United States, Texas is becoming an increasingly service-based economy.

In 1989, Texas will gain a total of 79,000 service-producing jobs. Spurred by a five-plus percent increase in gross retail sales, employment in wholesale and retail trade will be up by 28,000 (1.7 percent). Business, health and other miscellaneous services will grow by 23,000 (1.5 percent) and government employment will increase by 15,000 (1.3 percent), mainly because of gains at the local level.

Gone to Texas: As new job opportunities ap-

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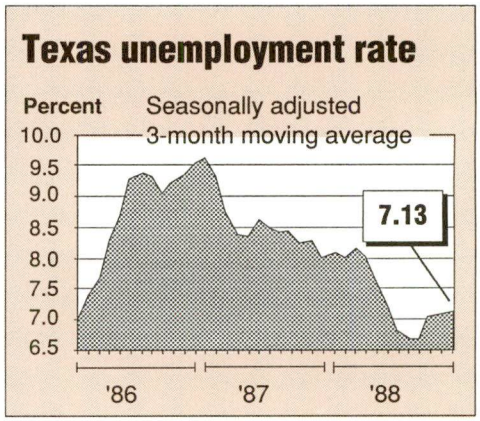


SOURCES: U.S. Bureau of Labor Statistics and Bob Bullock, Comptroller of Public Accounts.

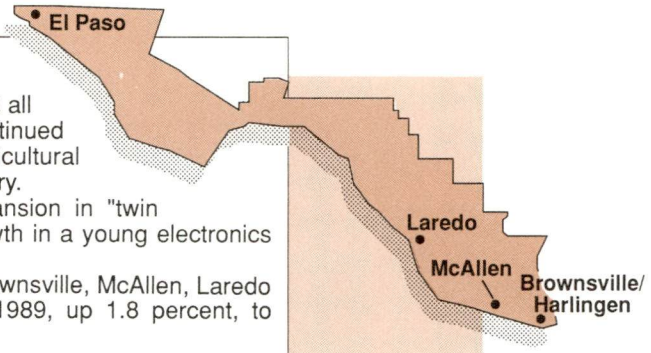
FISCAL NOTES

Articles and analysis appearing in **Fiscal Notes** do not necessarily represent the policy or endorsement of the Comptroller of Public Accounts.

Space is devoted to a wide variety of topics of Texas interest and general government concern.

Contributers to this issue include: Charles Aki, Ed Baldwin, Don Kiser, Roy Morey, Dwain Osborne, Audrey Pennington, Gary Preuss, Tom Plaut and Dan Thompson.

The Border



Twin plants bolster Border

The Border area's economy outperformed all other regions in 1988, spurred by continued manufacturing growth, improved agricultural outlook and a more stable energy industry.

The Border is being helped by expansion in "twin plants" and related transportation industries, growth in a young electronics sector and a resurgence in retail trade.

The 30-county Border region, which includes Brownsville, McAllen, Laredo and El Paso, will gain 8,300 nonfarm jobs in 1989, up 1.8 percent, to 465,900.

Manufacturing:

A broad range of Border manufacturers—apparel, high-tech electronics products, transportation equipment, rubber and plastics—were helped by the falling dollar in 1988.

In 1989, manufacturing employment likely will grow by 1,100, or 1.7 percent, to 67,100. It will be led by solid job gains in food products and continuing growth at high-tech firms such as General Dynamics' plant in Harlingen, which is building components for the Atlas I and II and Titan Centaur missiles.

The twin plant or maquiladora industries in Mexico will expand and diversify due to low labor costs and proximity to U.S. markets. Growth in increasingly capital-intensive twin plants, such as automotive suppliers, will boost related manufacturing and support services located on the Texas side of the Border.

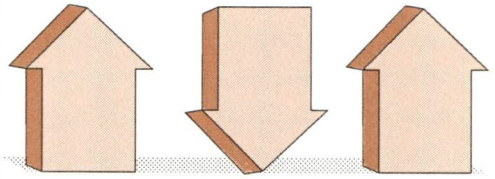
Trade:

The value of the peso fell sharply in November 1987 after runaway inflation and a stock market collapse. And Border trade was weakened by uncertainties over future peso devaluations.

But the 1987 devaluation was not devastating, as first expected. A more open Mexican trade policy, which eliminated import sanctions against U.S. electronics goods, has boosted Border retail trade.

In 1989, although peso devaluations may still plague Border stores, trade employment should increase by another 2,100, or 1.7 percent, to 122,500.

1989 forecast: Border



Population	Unemployment	Nonfarm employment
1.766 million up 2.1% from 1988	10.8% (1988 jobless rate: 12.6%)	465,900 up 1.8%

Source: Bob Bullock, Comptroller of Public Accounts.

Agriculture:

Agricultural output in the Border remained strong in 1988. Ranchers in part of the Border region, particularly in the Laredo-Del Rio area and west, were hit hard by the drought and forced to sell off livestock. But prices remain high, although livestock receipts may be down from 1988.

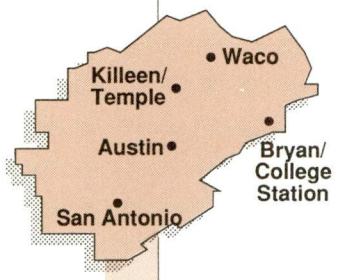
Citrus production in the Lower Rio Grande Valley is coming back after several disastrous freezes, and the Valley's sugarcane producers are recovering from the 1983 freeze. The improved farm situation is boosting the Border's wholesale trade, transportation and food processing industries.

Population and unemployment:

Although remaining high, the Border unemployment rate will continue to drop from 13.3 percent in 1987 to 10.8 percent in 1989.

Border population growth outpaced all other regions in 1988. With new jobs opening up in manufacturing and trade, population growth will continue at 2.1 percent and population will reach 1.766 million in 1989.

Central Corridor



Central Corridor recovery accelerates

From 1980 to 1986, the economy of the Central Corridor outpaced all other regions in Texas. But in 1987, the region's economic fortune turned down, with a major shakeout in high-tech manufacturing and the end of a construction boom.

Weaknesses in construction, banking and real estate will continue to plague the Central Corridor region in 1989. But nonfarm employment will slowly pick up and continue to grow, although at somewhat less than the state rate.

The high-tech sector, on the decline since 1985, led a modest recovery in 1988 in the 39-county Central Corridor region—including San Antonio, Austin, Waco, Killeen-Temple and Bryan-College Station.

In 1989, nonfarm job gains will accelerate, as the construction industry bottoms out and banking and real estate start to pick up. Nonfarm employment will jump by 11,600, or 1.0 percent, to 1.177 million in 1989.

Manufacturing:

High-tech job gains will be a major source of growth. Gains are expected in electronic components, computers and instruments. The lower dollar will continue to spur exports and make high-tech goods more competitive domestically, as well. Manufacturing employment will increase by 1,600, or 1.3 percent, to 126,200 in 1989.

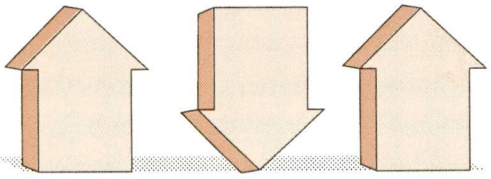
Other manufacturing industries important in the Central Corridor, such as food products and printing and publishing, will also add jobs.

Construction:

A slowdown in the construction industry continued throughout 1988 and dampened overall job growth. Austin and San Antonio have both endured a painful construction bust, which will not end until surplus commercial and residential space is absorbed.

In 1989, construction employment should finally bottom out at 54,200, down by 1,300 jobs, or 2.3 percent.

1989 forecast: Central Corridor



Population	Unemployment	Nonfarm employment
3.179 million up 1.2% from 1988	6.2% (1988 jobless rate: 6.7%)	1,176,700 up 1.0%

Source: Bob Bullock, Comptroller of Public Accounts.

Trade and services:

Many of the new jobs in 1989 will come in the Central Corridor's service-producing industries. As construction losses subside, 1989 trade employment likely will increase by 2,800, or 1.0 percent, to 286,800.

Other gains are expected in health and legal services and in high-tech services such as computer programming and software development, data processing and research laboratories. In 1989, 3,900 service jobs should be added, an increase of 1.4 percent, to 277,800.

Government:

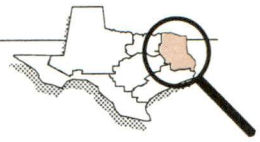
State and local government has been a source of steady growth. Teaching, counseling and administrative jobs at elementary and secondary schools have increased, and new court-mandated jobs have opened up at state government agencies such as the Department of Corrections and Mental Health/Mental Retardation.

In 1989, government jobs will continue to grow by 3,200, or 1.1 percent, to 299,200. Federal government employment should increase slightly, but military and related civilian employment at bases in San Antonio, Austin and Killeen may continue to slip some due to federal defense cutbacks.

Population and unemployment:

In 1989, with construction finally hitting bottom, the unemployment rate will drop to 6.2 percent.

As fewer people move to the Central Corridor, population will grow somewhat slower, increasing by 1.2 percent, to 3.179 million.



East Texas

Timber gains boost East Texas

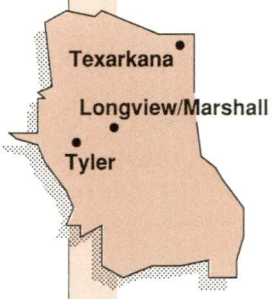
The East Texas economy depends primarily on agriculture, timber and oil. The outlook for these industries in 1989 is positive or stable.

Overall, the 35-county region, which includes Longview-Marshall, Tyler and Texarkana, should add 5,600 nonfarm jobs in 1989, a gain of 1.5 percent to 384,000, as the area's troubled energy and construction industries continue a slow comeback.

East Texas escaped the oil-price recession much better than the Plains and the Gulf Coast, and now with oil prices relatively stable, employment in East Texas' energy industry has firmed.

A resurgence in the forest products industry has spearheaded East Texas' turnaround. With world demand for timber rising and supplies declining, prices have moved up sharply. And settlement of a trade dispute with Canada has trimmed timber imports.

Now East Texas timber, pulp and paper producers are benefiting from increased output and profits. Capacity is growing, and the region is reaping gains in jobs and income.



Manufacturing:

About 18 percent of the region's employment growth in 1989 will come from 1,000 new manufacturing jobs, an increase of 1.3 percent to 80,900.

Some manufacturing job growth will continue in the forest products industry after big expansions in plant capacity in 1988.

Increased output and employment are also expected in other manufacturing industries important in East Texas—food products, printing and publishing and transportation equipment.

Trade and services:

The bulk of new nonfarm jobs created in East Texas will be in the trade and service sectors. With tourism boosting retail trade activity in the region, trade jobs will rise by 1,100, or 1.3 percent, to 91,200.

Health and business services should continue robust growth. And legal, educational and amusement services will gain jobs. In 1989, East Texas will add another 1,200 service jobs, up by 1.8 percent, to 71,300.

Agriculture:

Relatively high price and production levels for livestock boosted East Texas agriculture in 1988. But parts of the region have been hit hard by lack of rainfall, and forage production is down sharply.

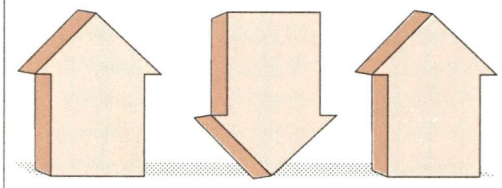
Overall, East Texas agricultural prospects are mixed, but farm receipts probably will not match 1988 levels because of the aftereffects of the drought.

Population and unemployment:

As manufacturing leads renewed job growth in the region, East Texas' unemployment rate will continue to drop, to 7.7 percent in 1989.

The region's population will grow faster than in 1988, jumping by 0.9 percent in 1989, to 1.229 million.

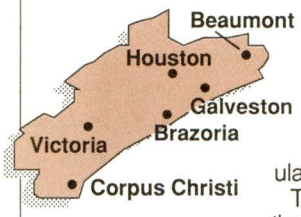
1989 forecast: East Texas



Population	Unemployment	Nonfarm employment
1.229 million up 0.9% from 1988	7.7% (1988 jobless rate: 8.2%)	384,000 up 1.5%

Source: Bob Bullock, Comptroller of Public Accounts.

Gulf Coast



Gulf Coast rebound continues

Assuming oil prices remain relatively stable in the current range and the U.S. economy stays healthy, the entire Texas Gulf Coast should continue to rebound in 1989, outpacing all other regions of Texas.

The falling dollar, which makes U.S. products more competitive in world markets, has spurred a broad-based resurgence in Gulf Coast manufacturing activity, particularly in the petrochemical industry.

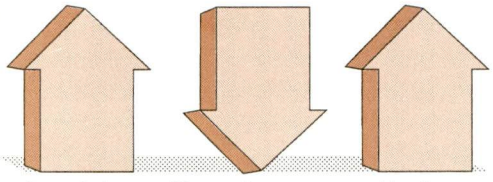
The Formosa Plastics project in Calhoun County will be the largest ethylene plant ever built at one time, and will have an $85 million annual payroll when it is running at full speed. Quantum Chemical will spend $400 million on ethylene and polyethylene expansions at its Houston and Deer Park plants. Most other Gulf Coast chemical and plastics makers—Chevron, Exxon, Rohm and Haas Texas—also have announced expansions. All these projects are generating renewed activity in construction and related engineering services.

The Gulf Coast's energy industry stabilized and even added some jobs in 1988.

The region's aerospace and medical complexes, which helped to bolster the economy during the energy industry downturn, are emerging as important expansion industries and hold the key to long-term growth. These complexes are stimulating the development of spinoff or start-up companies in aerospace and biotechnology which will promote economic diversification in the years ahead.

In 1989, total nonfarm employment in the 32-county Gulf Coast region—including Houston, Galveston, Brazoria, Beaumont, Corpus Christi and Victoria—should increase by 37,900, or 1.9 percent, to nearly 2.0 million.

1989 forecast: Gulf Coast



Population	Unemployment	Nonfarm employment
4.908 million up 1.0% from 1988	6.2% (1988 jobless rate: 7.4%)	1,997,100 up 1.9%

Source: Bob Bullock, Comptroller of Public Accounts.

Manufacturing:

Manufacturing will continue a rebound that began in the second half of 1987.

In 1988, a broad range of Gulf Coast manufacturers were helped by the lower dollar. And a small increase in oil and gas exploration activity boosted oil-field equipment manufacturing. With continued growth in exports, the region's electronic industries added some employees in 1988. And a good mix of other manufacturers—including fabricated metals, chemicals and plastics, transportation equipment, lumber and wood and printing and publishing—expanded their work force.

But in 1989, as energy-related and export-related job gains diminish, manufacturing job growth will slow. However, manufacturing employment still will increase by 3,800, a solid gain of 1.7 percent, to 235,000.

Trade and services:

Service-producing jobs will increase. Health and business services, in particular, should continue robust growth. And legal, educational and amusement services will gain jobs. A total of 9,400 service jobs will be added in 1989, an increase of 2.0 percent, to 482,100.

Wholesale and retail trade will be boosted by a comeback in the construction, financial services and real estate industries. In 1989, total trade employment will rise by 14,300, or 3.0 percent, to 498,600.

Aerospace:

Assuming Congress continues to fund the space station contract, the Johnson Space Center near Houston will spend $226 million over the next five years to modernize its facilities and add new support. As defense and NASA contracts come in, Grumman Corp. will triple its Houston work force to 2,000 over the next three years at the Southwest Regional Development and Production Center.

Population and unemployment:

As job opportunities continue to expand, the Gulf Coast's unemployment rate will continue to drop, to 6.2 percent in 1989.

In 1989, population gains will pick up some as more newcomers move to the region. Population will increase by 1.0 percent, to 4.908 million.

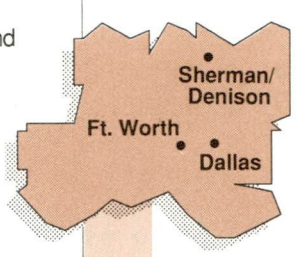
Metroplex

Metroplex gets back on track

In the first half of the 1980s, the Metroplex economy boomed, fueled by growth in defense and high-tech manufacturing and a building frenzy. But in 1987, the construction boom came to a screeching halt and the Metroplex lost jobs for the first time this decade. The continuing shakeout in construction, real estate and banking dampened Metroplex economic growth in 1988.

But overall nonfarm employment rebounded some, with big gains in defense-related manufacturing, and the economic recovery should gather steam in 1989. Nonfarm job gains in the 20-county Metroplex region—including Dallas, Fort Worth and Sherman-Denison—will accelerate in 1989, as the construction industry bottoms out and financial services begin a slow turnaround. Nonfarm jobs should increase by 20,100, or 1.0 percent, to more than 2.0 million.

The area's long-term growth prospects are particularly bright in light of recent decisions to locate the Superconducting Supercollider project, a consolidated headquarters for GTE and a major office, research and manufacturing complex of Fujitsu America in the Metroplex region.



Manufacturing:

Most new manufacturing jobs in 1988 were in defense and high-tech industries, and chemicals, plastics, primary metals and leather manufacturers also did well.

In 1989, job growth in manufacturing will continue at a steady pace, with high-tech industries gaining most. But employment gains in defense industries will be modest, as federal defense spending slows. Manufacturing employment will increase by 5,800, or 1.6 percent, to 378,900.

Construction:

Job layoffs in construction continued throughout 1988, with foreclosures at record highs. Both residential and nonresidential markets remain extremely overbuilt, and employment will drop further in 1989 before bottoming out.

In 1989, Metroplex construction employment will dip by another 2,800, or 3.5 percent, to 76,400.

Transportation, communications:

The Metroplex transportation network, centering around the Dallas/Fort Worth International Airport, is a major impetus to growth in air transportation, trucking and warehousing and telecommunications services. With travel demands booming, air transportation will continue to record big job gains.

Transportation, communications and public utilities led 1988 Metroplex job growth, and fast-paced growth should continue. In 1989, employment should increase by 3,300, or 2.5 percent, to 136,900.

Trade and services:

Trade employment, weakened by the downturn in construction and in consumer spending, should rebound in 1989. Trade jobs will rise by 5,800, a gain of 1.1 percent, to 521,800. The relocation of J.C. Penney headquarters from New York to Plano will be a big boost for trade, providing about 3,800 new jobs for the Metroplex.

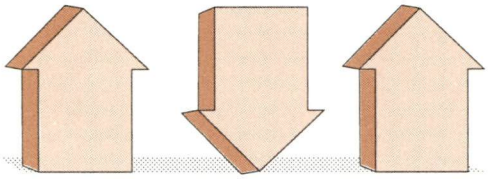
The growth in services, which continued through much of 1988, will slow as these industries feel the ripple effects from weak construction and real estate activity. In 1989, service industries will gain 4,800 jobs, up by 1.1 percent, to 461,300.

Population and unemployment:

Due to a big slowdown in newcomers, coupled with some employment growth, the Metroplex unemployment rate dropped in 1988, and as job growth picks up in 1989, it will slip to 5.5 percent.

The frantic pace of new arrivals during the boom years has ended and Metroplex population is expected to grow more slowly. In 1989, population will increase by 0.9 percent, to 4.231 million.

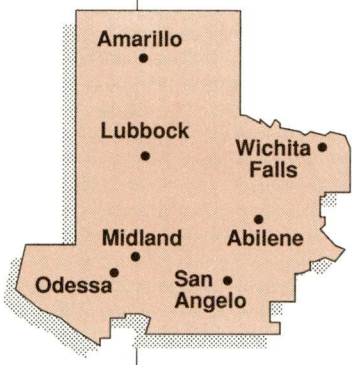
1989 forecast: Metroplex



Population	Unemployment	Nonfarm employment
4.231 million up 0.9% from 1988	5.5% (1988 jobless rate: 6.1%)	2,007,900 up 1.0%

Source: Bob Bullock, Comptroller of Public Accounts.

Plains



Plains continues turnaround

The Plains economy should continue to rebound in 1989, assuming stable oil prices and a healthy U.S. economy.

The 98-county Plains region—including Abilene, Amarillo, Lubbock, Midland, Odessa, San Angelo and Wichita Falls—posted solid nonfarm job gains in 1988.

The Plains was helped by a recovery in the oil and gas industry and by the lower value of the dollar, which made its manufactured goods more competitive worldwide.

In 1989, with employment in oil and gas stabilizing, job growth will slow some, but the area's battered banking and real estate industries should begin to come back. Overall, Plains nonfarm employment will increase by 6,400, or 1.0 percent, to 631,200.

The price of energy dependence was high, but a leaner Plains economy, far less susceptible to changes in the price of oil, is emerging.

Manufacturing:

In 1988, manufacturing led the recovery in the Plains region, generating new jobs in food products, apparel, transportation equipment, electronics, fabricated metals and plastics. And a small increase in oil and gas exploration activity boosted oil-field equipment manufacturing.

In 1989, with energy-related and export-related job gains diminishing, manufacturing job growth will slow. Manufacturing employment will be up by 600, or 0.8 percent, to 71,800.

Trade:

Trade should continue on the upswing, following increases in consumer spending. Wholesale and retail trade gains may slow some in 1989 as oil and gas activity stabilizes. But trade jobs will increase by 1,900, or 1.2 percent, to 164,500 in 1989.

Agriculture:

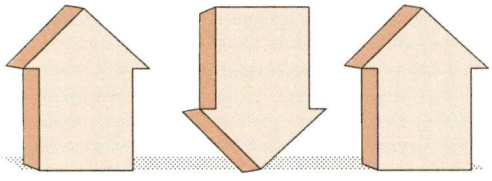
West Texas ended 1987 with a bumper cotton crop, record-setting yields and prices higher than they have been since 1980. And even though prices slipped some, 1988 was another good year for cotton.

Livestock receipts were also up sharply in 1987, and continued high prices helped beef producers in 1988. In 1989, profit margins may shrink some due to rising grain prices.

Population and unemployment:

Unemployment will continue to slide in 1989 to 5.3 percent as all sectors of the Plains economy, including banking and real estate, add jobs. And population growth will gather steam as increasing job opportunities attract newcomers. Population will increase by 1.0 percent, to 1.845 million in 1989.

1989 forecast: Plains



Population	Unemployment	Nonfarm employment
1.845 million up 1.0% from 1988	5.3% (1988 jobless rate: 6.1%)	631,200 up 1.0%

Source: Bob Bullock, Comptroller of Public Accounts.

Texas production and consumption indicators

(Amounts in millions)

Year and month	Crude oil Bbls.	Crude oil Value	Natural gas MCF	Natural gas Value	Motor fuel Gallons Gasoline	Motor fuel Gallons Diesel	Cement Tons	Cigarette pkgs. taxed	Auto sales net value
1986									
January	69.3	$ 1,797.7	494.7	$ 928.9	694.6	135.4	0.97	144.1	$ 1,213.1
February	62.5	1,227.5	454.9	788.6	645.6	123.6	0.75	134.4	1,332.2
March	68.7	1,001.8	468.3	783.7	746.7	147.9	0.87	132.6	1,532.2
April	65.6	827.7	435.1	677.0	727.1	128.2	0.94	158.0	1,489.3
May	65.8	851.3	453.6	653.6	750.7	127.3	0.88	152.1	1,521.0
June	63.0	824.7	427.9	590.1	732.5	92.5	0.69	157.8	1,472.6
July	65.3	741.6	450.3	610.4	770.2	134.2	0.91	158.4	1,426.9
August	63.1	764.2	443.4	603.5	710.9	131.6	0.78	141.7	1,615.7
September	61.8	825.1	405.3	554.0	693.5	130.0	0.81	144.6	1,518.4
October	63.1	833.0	414.1	558.1	712.6	137.0	0.73	144.5	991.8
November	60.4	797.8	416.0	571.6	670.9	120.2	0.55	123.0	1,264.5
December	62.6	863.9	461.6	634.5	753.7	134.8	0.49	172.8	1,326.9
Total	771.3	$11,356.3	5,325.2	$7,954.0	8,609.0	1,542.7	9.37	1,764.0	$16,704.6
1987									
January	62.0	$ 1,008.9	452.6	$ 634.2	650.9	110.7	0.69	147.9	$ 1,102.0
February	56.2	934.3	410.3	570.9	596.6	111.9	0.60	120.0	1,164.8
March	63.0	1,049.4	442.2	609.0	700.9	135.4	0.79	128.8	1,356.9
April	60.5	1,019.1	436.7	583.2	697.7	124.6	0.82	136.5	1,377.4
May	60.5	1,054.3	429.5	560.7	690.6	120.4	0.66	135.0	1,347.0
June	58.8	1,060.4	420.5	539.9	691.6	129.4	0.65	159.3	1,548.8
July	60.7	1,151.3	414.9	544.4	742.7	124.6	0.79	163.6	1,521.9
August	59.8	1,142.0	422.3	544.7	715.2	120.6	0.73	160.4	1,579.3
September	58.5	1,062.1	410.5	509.4	684.7	129.0	0.69	158.7	1,229.0
October	60.8	1,100.4	426.7	533.1	744.5	156.3	0.79	130.5	1,016.0
November	57.8	1,028.3	430.9	564.0	665.1	109.4	0.59	97.8	1,163.3
December	59.7	994.6	497.7	667.3	717.0	124.0	0.58	143.8	1,149.0
Total	718.3	$12,605.1	5,194.7	$6,860.9	8,297.5	1,496.3	8.38	1,682.3	$15,555.4
1988									
January	59.8	$ 950.7	456.2	$ 732.6	630.3	111.7	0.52	122.0	$ 1,150.0
February	56.2	884.6	464.9	680.8	649.6	113.8	0.57	124.2	1,364.6
March	60.2	908.3	450.5	637.2	731.2	133.3	0.69	132.1	1,448.5
April	57.8	931.4	444.8	546.7	699.5	114.2	0.69	125.8	1,433.7
May	58.5 r	961.1 r	420.7 r	551.7 r	722.2	115.4	0.71	139.5	1,524.0
June	57.0 r	896.1 r	405.1 r	523.1 r	723.3	133.4	0.70	141.3	1,405.4
July	55.5 e	793.9 e	459.3 e	606.3 e	718.8	117.2	0.58 r	124.7	1,512.5
August	54.1 e	765.8 e	425.5 e	600.0 e	741.9	125.9	0.63 r	134.9	1,217.2
September	51.8 e	702.4 e	436.8 e	550.4 e	691.2	131.7	0.55 r	141.6	1,414.1
October	47.0 e	596.0 e			693.2	123.8	0.61	132.4	1,206.2
November	52.1 e	644.5 e					0.57	129.3	1,127.9
December								140.2	
Total	610.0 e	$ 9,034.8 e	3,963.8 e	$5,428.8 e	7,001.2	1,220.4	6.83	1,588.0	$ 14,804.1

e – estimated r – revised

Note: Crude oil and natural gas show taxable production and net taxable value for the production month.
Totals may not add due to rounding

Bob Bullock, Comptroller of Public Accounts.

Rebound, from page 2

pear, outsiders will once again begin moving to Texas.

In 1988, 24,000 more people left Texas than moved in, but the state's population continued to grow due to a relatively high birth rate. Early in 1989, however, newcomers will outnumber those who leave and the state's population will increase by 188,000, or 1.1 percent, during the year.

Despite the growing population, Texas' unemployment rate will continue to decline as job growth outpaces job seekers. Overall, the state's unemployment rate will decline from an average of 7.3 percent in 1988 to 6.4 percent in 1989.

Regional recovery: All six economic regions of Texas defined by the Comptroller are expected to add jobs, income and population during 1989.

The Border region, which grew the fastest in 1988, will rival the Gulf Coast in growth during 1989, spurred by twin plant expansions in Mexico. The East Texas and Plains regions also are staging solid recoveries following severe economic downturns in 1986-87.

After a slow rebound in 1988, the economies of the Metroplex and the Central Corridor should gain strength in 1989, but job growth will be dampened by continuing weakness in construction, banking and real estate.★

State of Texas

December statement of cash condition[1]

(Amounts in millions)

	General revenue	Special funds	Total cash
Beginning cash balance December 1, 1988	$542.3	$1,680.4	$2,222.7
Revenue/expenditures			
Revenue	961.3	871.2	1,832.5
Expenditures	-527.3	-1,258.0	-1,785.3
Net income (outgo)	434.0	-386.8	47.2
Net interfund transfers and investment transactions	-471.9	406.7	-65.3
Total transactions	-37.9	19.9	-18.1
Ending cash balance December 31, 1988[2]	$504.4	$1,700.2	$2,204.6

[1]Cash stated is Comptroller's Office Book Cash and may vary from cash deposited with the Treasury. Net amounts shown (less refunds) exclude some transactions not cleared through the Comptroller's Office. Suspense and Trust Funds are included as are unemployment compensation trust funds collected by the state but held in the Federal Treasury. Totals may not add due to rounding.
[2]The ending General Revenue Fund balance includes $998.8 million borrowed from other state funds for cash flow management.

Bob Bullock, Comptroller of Public Accounts.

State revenue[1] All funds

(Amounts in millions)

	Monthly revenue	Year-to-date September 1988 - December 1988	
	December 1988	Revenue	Percent change from last FY[4]
Tax collections by major tax			
Sales tax	$ 464.8	$2,169.3	20.2%
Oil production tax	39.2	138.4	-29.8
Natural gas production tax	54.0	195.6	40.8
Motor fuels taxes (gasoline, diesel, LPG)	146.1	491.9	0.7
Motor vehicle sales tax	76.1	309.4	7.5
Franchise tax	-2.7	-73.0	-322.9
Cigarette and tobacco taxes	37.9	146.8	9.2
Alcoholic beverages taxes	25.7	104.8	0.3
Insurance companies tax	79.4	121.2	57.6
Utility taxes[2]	0.1	46.4	-0.5
Inheritance tax	7.5	40.0	18.2
Telephone tax	0.0	7.6	28.3
Hotel and motel tax	0.7	27.7	120.1
Other taxes[3]	3.1	9.3	108.5
Total tax collections	$ 931.9	$3,735.5	10.9%
Revenue by receipt type			
Tax collections (detail above)	$ 931.9	$3,735.5	10.9%
Business/professional fees	15.8	53.9	0.9
Noncommercial permits and licenses	81.6	342.1	4.2
Violations, fines and penalties	3.1	26.8	25.8
State service fees	24.6	92.6	5.1
Sales, rental and repayments of goods and services	9.5	58.1	-4.8
Federal receipts	415.1	1,607.2	8.4
Interest/dividends	200.4	1,016.7	11.0
Land income	23.0	90.3	-14.7
Other receipts	127.5	342.5	49.9
Total revenue	$1,832.5	$7,365.6	10.7%

[1]Excludes some revenue not cleared through the Comptroller's Office. Totals may not add due to rounding.
[2]Includes the Utility, Gas Utility Administration and the Public Utilities Gross Receipts taxes.
[3]Includes the Ad Valorem, Cement and Sulphur taxes and other occupation and gross receipts taxes not separately identified.
[4]Due to accounting changes, some percentages are based on different data than reported in the last fiscal year.

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State expenditures by object[1]
All funds
(Amounts in millions)

Objects	Monthly expenditures December 1988	Year-to-date September 1988 - December 1988 Expenditures	Percent change from last FY
Salaries and wages	$ 356.9	$1,361.8	8.2%
Other personal services	188.0	703.4	8.9
Consumable supplies and materials	24.5	92.4	-17.0
Current and recurring operating expenses	61.7	240.4	2.7
Assistance and medical care for the needy	229.3	874.7	1.4
Foundation school program grants	453.9	1,936.3	1.9
Other public education grants	78.0	334.6	22.2
Grants to higher education	51.4	222.2	-0.7
Other grants	93.1	305.4	13.1
Payment of principal on indebtedness	12.1	83.7	-42.5
Payment of interest and other claims	39.0	132.0	2.5
Capital outlay for highways	143.6	622.0	1.1
Capital outlay for land and buildings	24.7	93.8	9.6
Other capital outlay	29.2	189.8	-9.8
Total expenditures	$1,785.3	$7,192.5	3.3%

[1]Excludes some expenditures not cleared through the Comptroller's Office. Totals may not add due to rounding.

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State expenditures by function[1]
All funds
(Amounts in millions)

Category	Monthly expenditures December 1988	Year-to-date September 1988 - December 1988 Expenditures	Percent change from last FY[2]
Administrative			
Executive departments	$ 41.1	$ 177.3	-1.4 %
Business regulatory commissions	15.6	62.0	27.7
Legislative	4.1	17.9	0.6
Judicial	4.2	17.2	3.5
Total	$ 65.1	$ 274.4	4.4 %
Services			
Welfare	$ 275.5	$1,055.6	2.8 %
Mental health, state homes and corrections	111.8	436.6	18.0
Health and sanitation	31.0	107.6	9.5
Law enforcement	14.1	59.1	3.1
Total	$ 432.5	$1,658.9	6.9 %
Improvements			
Highway maintenance and construction	$ 216.0	$ 905.4	-0.8 %
Natural resources	13.7	56.9	5.6
Parks and monuments	9.8	45.2	5.5
Total	$ 239.5	$1,007.6	-0.2 %
Education			
Support to state and local education	$ 770.7	$3,236.4	3.0 %
State contribution to teacher retirement	65.8	277.5	2.0
Total	$ 836.5	$3,513.9	3.0 %
Other Expenditures			
Grants to political subdivisions and others	$ 93.1	$ 305.4	13.1 %
Payment of public debt	51.1	215.6	-21.2
Social security contribution	38.8	136.7	10.8
State contribution to employee retirement	26.7	69.9	39.3
Miscellaneous	2.1	10.2	-10.4
Total	$ 211.8	$ 737.8	1.3 %
Total expenditures	$1,785.3	$7,192.5	3.3 %

[1]Excludes some expenditures not cleared through the Comptroller's Office. Totals may not add due to rounding.
[2]Due to accounting changes, some percentages are based on different data than reported in the last fiscal year.

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Business outlook improves for 1989

Texas at a Glance

Texas' business leaders are generally optimistic about the state's economic outlook for the first half of 1989, and these expectations at the end of 1988 led to a modest increase in the latest Index of Future Business Conditions.

The 1988 fourth-quarter index, calculated from results of the Comptroller's Quarterly Survey of Business Expectations conducted in December, was 58.6, an increase of 0.1 from 1988's third quarter and one full point higher than 1988's first quarter.

Despite some fluctuations in 1988, the index continued its overall upward trend above 50, the neutral point, since the end of 1986.

As usual, expectations among industry leaders were mixed in the latest survey. Mining and manufacturing optimism increased, while the outlook for construction, utility, wholesale and retail trade declined.

But even though outlook varied among industries, fully 96 percent of all executives who responded to the survey expect that overall business conditions will be the same or better in six months.

Manufacturing: Rose 1.3 points to 56.3

Mining: Based on a very small response, rose 12.3 points to 65.6

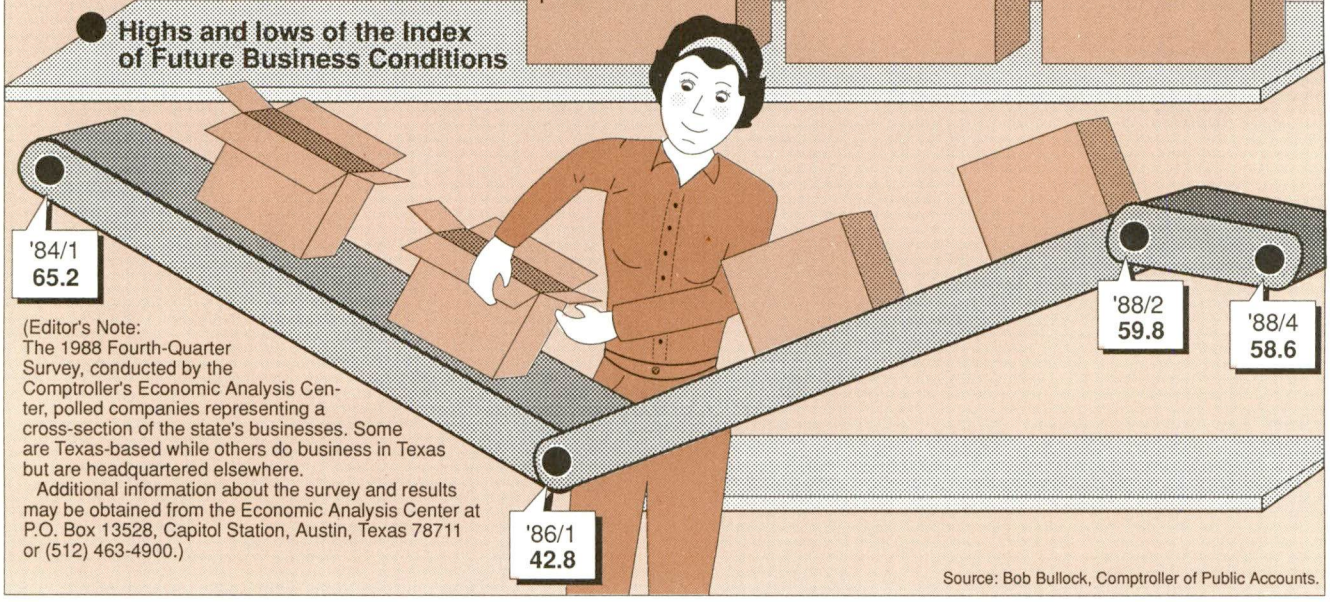
Utilities: Dipped 0.4 points to 55.9

Retail trade: Slipped 0.2 points to 60.4

Wholesale: Fell 1.4 points to 56.7

Construction: Dropped 1.7 points to 58.9

Highs and lows of the Index of Future Business Conditions



(Editor's Note: The 1988 Fourth-Quarter Survey, conducted by the Comptroller's Economic Analysis Center, polled companies representing a cross-section of the state's businesses. Some are Texas-based while others do business in Texas but are headquartered elsewhere.

Additional information about the survey and results may be obtained from the Economic Analysis Center at P.O. Box 13528, Capitol Station, Austin, Texas 78711 or (512) 463-4900.)

Source: Bob Bullock, Comptroller of Public Accounts.

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Economic Analysis Center

For additional copies write:
Bob Bullock, State Comptroller
Economic Analysis center
P.O. Box 13528, Capitol Station
Austin, TX 78711

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