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<b>FUNDING SUMMARY</b>					
(Revenue change in millions of dollars)					
	1989	1990	1991	1992	1993
R&E expense allocation proposal.....	n.a.	-1,699	-749	-814	-887

## **g. Enhancing Energy Security**

### **OVERVIEW**

Sufficient energy supplies at reasonable prices are vital to the economic well-being of this country and to the preservation of our national security.

Domestic production should be stimulated but not by protectionist measures such as an oil import fee. An oil import fee would amount to a tax increase on everyone who uses energy. New energy exploration is needed—not more taxes.

Tax incentives can give the domestic oil and gas industry the necessary stimulus. Tax incentives are particularly needed for the small producers who are so vital to our energy security. Historically, independent producers have drilled a majority of America's exploratory wells.

There is a need to encourage new methods for recovering oil from old fields, as well as finding new fields.

Our national security requires a strong domestic oil and gas industry.

### **PRINCIPLES**

- The President is committed to the development of programs to reduce America's dependence on foreign oil.
- The President believes that a return to high levels of exploratory drilling is needed to achieve greater domestic production. Such exploratory drilling requires independent producers with financial strength.
- The President believes that tax incentives targeted to exploratory drilling, tertiary enhanced recovery projects, and independent producers is the most cost-effective method of achieving these goals.
- The President believes incentives are needed because current prices of U.S. oil are low relative to the costs of finding and producing that oil. When the energy sector recovers, the proposed incentives would be phased out.
- The President believes that at long last the Federal Government should fully decontrol natural gas.

### **POLICIES**

The President proposes four incentives to encourage the finding of new oil and gas fields and the reclaiming of old fields. The credits would be phased out if the price of oil reaches \$21 per barrel.

Banks / S&L's

The President proposes a 10 percent credit on the first \$10 million of expenditures (per year per company) on exploratory intangible drilling costs (IDCs) and a 5 percent credit on the balance. The credit may be applied against both the regular tax and the minimum tax but will not eliminate more than 80 percent of the tentative minimum tax in any year in conjunction with all other credits and net operating loss carryforwards. Unused credits may be carried forward. The limits on the full 10 percent credit increases the proportion of the incentive going to the smaller independents.

To encourage increased production from enhanced recovery methods, the President proposes a 10 percent credit for capital expenditures on all new tertiary enhanced recovery projects. Tertiary enhanced recovery projects use steam, carbon dioxide, or chemical injectants to remove oil and gas from oil fields. The credit would function in the same manner as the credit for exploration.

The President proposes elimination of 80 percent of current preference items generated by exploratory IDCs by independent producers under the minimum tax. IDCs are now an item of minimum tax preference to the extent the total expense exceeds an allowance based on net income and a first year amortization amount. The taxpayer is denied the benefit of amortization relating to later years. Further, net income is reduced by percentage depletion even though percentage depletion may be treated as a minimum tax preference. These problems are greatest for independent producers doing exploratory drilling. The proposal addresses this particular application of the minimum tax by eliminating 80 percent of the independent producer exploratory IDC amount that would otherwise be included as a preference.

The President also proposes modification of the oil and gas depletion rules that discourage the transfer of marginal wells to independent producers and result in the premature abandonment of producing wells. Independent oil producers are limited in their use of depletion deductions by two provisions: (1) "proven" properties transferred from integrated oil companies to independent producers are ineligible for percentage depletion, and (2) the deduction may not exceed 50 percent of the owner's net income from the property. The President proposes to remove the transfer rule restrictions and to raise the deduction limit to 100 percent of the property's net income.

**FUNDING SUMMARY**  
(Revenue change in billions of dollars)

	1989	1990	1991	1992	1993
10 Percent credit for exploratory drilling .....	—	-0.2	-0.3	-0.3	-0.4
10 Percent credit for new tertiary enhanced recovery .....	—	*	*	*	*
Eliminate 80 percent of exploratory IDC tax preferences from minimum tax for independent producers .....	—	-0.1	-0.1	-0.1	-0.1
Modification of oil and gas depletion rules.....	—	*	*	*	*

\* \$50 million or less.

## **h. Pushing Out the Research Frontier: The Superconducting Super Collider**

### **OVERVIEW**

The Superconducting Super Collider (SSC) is a critical part of this Administration's initiative to strengthen the position of the Nation as a world leader in science and technology. The SSC holds the potential for new breakthroughs in science, technology, and education. It will produce discoveries, innovations, and spin-offs that could touch profoundly every American. The Superconducting Super Collider will be the world's most powerful atom smasher, producing particle collisions with total energies approaching 40 trillion electron volts, an energy 20 times greater than the highest energies available in the world today. The heart of the facility is a 53 mile racetrack shaped accelerator. Particles will be guided around this accelerator by nearly 10,000 state-of-the-art superconducting magnets. The total project cost is estimated at \$5.9 billion, the largest pure science project ever envisaged for actual construction.

*"We will succeed in that competition by doing what we do best—by exploiting our comparative advantage. And our greatest single strength for the future is not mining or manufacturing or even agriculture—it is our ability to expand the limits of our knowledge. From that will flow the scientific and technological advances that will enable us to compete and to raise the living standards of all the nations of the world."*

George Bush

### **PRINCIPLES**

- The Administration is committed to the construction of the SSC. The SSC will be a one-of-a-kind experimental facility that will ensure continued progress in advancing our knowledge of matter and energy at its most fundamental level.
- The SSC will provide the capability for the U.S. to remain the world's leader in the field of high energy physics well into the next century.
- The SSC will be used by scientists around the world. The facility will attract an international community of scientists who will travel to the U.S. to conduct state-of-the-art research.
- The SSC will also serve as a valuable training ground for students from over 100 university-based research teams located across the country.
- The Administration believes that the SSC should be a truly international facility. One third of the total project funding should be provided by non-Federal sources such as the host State and foreign countries that will share in the scientific and technological benefits that will accrue from the SSC.

### **POLICIES**

The President is proposing budget authority of \$250 million in 1990 for the Federal share of the construction of the Superconducting Super Collider.

The current request will allow DOE in 1990 to complete site-specific designs of the technical systems and conventional construction facilities. Increases are also being proposed in the operating budget for the design, fabrication, and testing of the superconducting magnets by

<b>PROPOSED CHANGE</b>				
(In millions of dollars)				
	1989	1990	Dollar Change	Percent Change
Budget Authority .....	100	250	+150	+150
Outlays .....	100	206	+106	+106

U.S. industry. Finally, construction funds are proposed to order long-lead time, critical procurements such as power stations and superconducting materials. The actual initiation of conventional construction on the site will be dependent upon the details of the non-Federal cost sharing commitments to the project obtained in 1990.

<b>FUNDING SUMMARY</b>					
(In millions of dollars)					
	1989	1990	1991	1992	1993
Budget Authority .....	100	250	392	494	450
Outlays .....	100	206	375	380	370

## **i. Expanding Biomedical Research: The Promise of a Healthier Future**

### **OVERVIEW**

Biomedical research holds out the promise of a healthier America, made possible by improved understanding of disease, refined prevention techniques, and better therapies.

Progress requires both knowledge and readiness—a readiness to seek out and use valuable discoveries. For example, scientists recently discovered that frogs produce magainins, which shield them from infection. This discovery may lead to powerful new antibiotics for humans.

The Administration seeks to accelerate basic research in partnership with industry, which has the role of developing new applications and marketing them. New partnerships are being formed to shorten the time between laboratory discoveries and their application.

Promising new techniques, like mapping of the human genome, hold new opportunities to discover the cause of many diseases, leading to their future remedy.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

February 6, 1989

PRESS BRIEFING

BY

SECRETARY OF TREASURY NICHOLAS BRADY;  
DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET RICHARD DARMAN;  
ATTORNEY GENERAL RICHARD THORNBURGH;  
CHAIRMAN OF THE FEDERAL RESERVE ALAN GREENSPAN;  
CHAIRMAN OF FEDERAL HOME LOAN BANK BOARD DANNY WALL;  
HEAD OF FEDERAL DEPOSIT INSURANCE CORPORATION WILLIAM SEIDMAN;  
COMPTROLLER OF CURRENCY

Room 450  
Old Executive Office Building

4:35 P.M. EST

Q What's this going to cost the taxpayers?

SECRETARY BRADY: Thank you, Mr. President.

From the day five months ago that I was sworn in as Secretary of the Treasury, achieving a sound and responsible resolution to the savings and loan crisis has been a top priority. As the President has said, there are no simple or painless solutions to the problem. When he took office just 18 days ago, the President reaffirmed our commitment to fix it now, fix it right, and fix it for good. He also directed us to consult with Congress, and this we have done.

Two watch words guided us as we undertook to solve this problem: never again. Never again should we allow a federal insurance fund that protects depositors to become insolvent. Never again should we allow insolvent federally insured deposit institutions to remain open and operate without sufficient private capital at risk. Never again should we allow risky activities permitted by the states to put the Federal Deposit Insurance Fund in jeopardy. Never again should we allow fraud committed against financial institutions or depositors to be anything but a serious white collar crime. We're going to find the wrongdoers, as the President said, recover the assets they've stolen, and put them in jail for a very long time.

The plan I'm about to describe to you meets all of these requirements. It is a blueprint for comprehensive reform and financing. It is supported by all the federal bank regulators -- the Federal Reserve, the Comptroller of the Currency, the Federal Home Loan Bank Board, and the Federal Deposit Insurance Corporation.

I will first describe the reform program and then turn to the financing structure. But before I begin, let me stress that insured depositors need not worry. Insured deposits are as safe today as they were yesterday, regardless of whether these savings are in savings and loans or commercial banks. Savers with insured accounts will continue to be protected in the future. The banks that are open today will be open tomorrow. Our aim is to ensure that there will be no disruption of services in local communities. Above all, federally insured savings are and will remain backed by the full faith and credit of the federal government.

Now for the reform program. The current organization of the thrift system dates back to the New Deal era. However, as the events of the 1980s have demonstrated, this system is antiquated.

MORE

The Federal Home Loan Bank Board, under the leadership of Chairman Danny Wall, has addressed this crisis in an expedited manner, under extremely difficult circumstances, with very low funding, and a limited staff. The men and women who work at the Bank Board and the FSLIC deserve our thanks for this tireless effort under difficult circumstances.

But to correct the long-term structural problems inherent, we proposed the creation of an independent insurance agency to protect depositors. FSLIC will be consolidated with the FDIC. The existing expertise and manpower of the FSLIC will be incorporated into the FDIC. However -- and I stress this point -- two separate insurance funds, with separate premium screens, one for the S&Ls and one for the commercial banks, will be maintained. The two separate funds cannot be comingled.

In conjunction with this step, we propose to reorganize the existing regulatory structure to ensure the availability of home financing in the future. The entire supervisory structure will be accountable to the Chairman of the Federal Home Loan Bank System instead of to the industry they regulate. And the Chairman of the revitalized Federal Home Loan Bank System, like the Comptroller of the Currency, will report to the Secretary of the Treasury.

In a further measure to put our financial institutions on a sound footing, we will require that the level of private capital be uniform for all banks and S&Ls in adequate quantities to act as a buffer to the federally insured deposit funds. Therefore, by June 1, 1991, all insured institutions must meet the uniform capital standards applicable to FDIC insured banks. For the savings and loans, this will mean roughly doubling the required capital.

Further, we are upgrading safety and soundness measures. If this plan is enacted, in the future, depositors will be protected through a range of new measures, including a capital requirement that will be pegged to the risk of the S&L investments; stricter standards for granting insurance, prohibitions in restrictions on growth and risk-taking by undercapitalized institutions; and where risky activities authorized by the states pose a threat to the insurance fund, federal deposit insurance standards will prevail.

Requirements for receiving federal deposit insurance will be determined by the FDIC. There will be no more windmill farms, no prize cattle herds financed by federally guaranteed deposits. And the new uniform accounting, supervisory and disclosure methods will help enforce these measures.

Lest anyone have any doubts about how serious we are about cleaning up the thrift industry and keeping it clean, we are upgrading enforcement and increasing penalties to make fraud against the financial institutions and depositors a most serious white collar crime. Under our plan, the maximum civil penalty will be increased from the current \$1,000 per day to \$100,000 per day. Under our plan, the U.S. government will make every effort to recover the squandered funds by increasing funds available for enforcement.

These reform measures are vitally important to the future of the thrift industry. Without them we will not have a healthy private savings and loan industry to provide home financing to Americans. But, as you all are acutely aware, reform and a financial solution to the problems of the current system go hand in hand. When combined with the \$40 billion already spent, the \$50 billion of new funds provided by this program will bring to \$90 billion the total amount available to address the problems of insolvent S&Ls.

We believe it is essential that we resolve with all deliberate speed the cases of the insolvent S&Ls you've all read about. We will do so through the creation of a new organization called the Resolution Trust Company, the RTC. It will be a corporation whose function is to isolate insolvent S&Ls, separate

them from healthy ones, and resolve them in an orderly fashion. The RTC mechanism will allow one consolidated resolution process where accounting for and controlling the funds will be a clear and straightforward process.

In short, strict accountability will be ensured. The RTC will not have a big staff and the FDIC will manage the resolutions. The work of the RTC will be overseen by a board consisting of the Secretary of the Treasury, the Chairman of the Federal Reserve, and the Comptroller General. And a funding corporation will sell \$50 billion in bonds over the next three years to finance the resolutions.

Our plan for refinancing the recovery and restructuring of the S&L industry uses both private and public funds to resolve insolvent thrifts. This plan is on budget. In other words, every set of additional public funds spent counts as an increase in budget outlays. Funds for the payment of principal will come from the S&L industry itself.

In all, this plan provides funds for three purposes. First, S&L industry and Treasury funds are used to finance the RTC's resolution of the insolvent thrifts. Second, S&L insurance premiums are used to create an insurance fund for healthy S&Ls. And third, increase commercial bank insurance premiums help bring the FDIC insurance fund for commercial banks up to a fully funded level. But let me reiterate, no commercial bank insurance premiums are used to resolve insolvent S&Ls or to go into the S&L insurance fund.

The S&L industry financing comes from three sources -- retained earnings of the Federal Home Loan Banks, funds from the disposal of assets received by the insurance fund from insolvent S&Ls, and deposit insurance premiums charged to individual S&Ls. Commercial bank resources required to bring the FDIC fund up to a fully funded level will also come from an increase in insurance premiums. The FDIC will reduce insurance premiums to both commercial banks and S&Ls once it determines that their respective funds are fully financed and pegged to the more historical reserve-to-deposit ratio of 1.25 percent.

FSLIC and the FDIC will immediately begin a joint supervisory program -- by "immediately," I mean tomorrow -- with personnel also contributed by the Federal Reserve and the officer of the Comptroller of the Currency. Over the next several weeks, FDIC personnel will assume supervisory control of insolvent S&Ls to protect depositors. This program will stabilize these institutions by curbing losses and will give a head start for the tough job ahead.

This then is the administration's solution to the savings and loan crisis. If enacted by Congress in a timely manner, it will provide a sound, long-term solution to the S&L problem. I join the President's call on Congress to work with us to turn this plan into law as soon as possible. Working together, we can recreate and rejuvenate the vital thrift industry which has served our country so long and so well in the past.

Q How much is it going to cost?

Q How much money do you think it's going to cost the taxpayers? I mean, we know about the \$90 billion. If you could give us an idea of what it's actually going to cost out of our pockets.

SECRETARY BRADY: Well, \$90 billion is both -- it counts for money that's been spent and the \$50 billion that will be spent. Our best estimates in the first 10 years is that it will come roughly half from the industry and half from the taxpayers.

Q Is that all the money that it's going to cost us -- \$90 billion?

SECRETARY BRADY: That's what we think. We think the problem -- the size of the problem is \$90 billion. Actually there is a slight reserve in there so that if there are any unforeseen unpleasant circumstances that show up, we've got some room in there to take care of it.

Q Let me make certain I understand that. If it's half from the taxpayers and half from the S&Ls, that's \$45 billion from the taxpayers and over 10 years it's \$4.5 billion a year?

SECRETARY BRADY: That's about right.

Q Mr. Secretary, there -- in the fact sheets we were given, it says there is -- of the \$40 billion already committed that the S&L industry will pick up part of that and that Treasury the rest. I don't understand how you get the \$40 billion.

SECRETARY BRADY: I'm going to let Dick Darman comment on that. (Laughter.)

Q Can you explain the relationship of the \$45 billion to the estimate here that there was a \$40 billion already committed and that Treasury will pick up the rest of that?

DIRECTOR DARMAN: You people are too tall for me.

Let me try to give you a more detailed breakdown. In Fiscal Year '90, the net budget outlays associated with this, everything considered, the new element that has to go to cover some interest and Treasury contribution to some funding of the old piece which is still left over for funding, which is what I think you are referring to, would be \$1.9 billion for Fiscal Year '90, \$6.0 billion for '91, \$3.8 billion for '92, \$3.7 billion for '93, \$1.5 billion for '94. That's a total of, if you add \$11.1 for Fiscal Year '89, which deals with some of what has already happened -- a good deal of what has already happened -- that's not new -- the total for '89 through '94 would be \$28.1 billion. I think you may have that in the fact sheet. I haven't seen the latest version.

The number for '89 to '99 -- comparable number -- would actually be \$39.9 billion on our estimates.

Q I take it you're estimating the funds -- a couple of funds will be capitalized by that? Is that the reason, and that the premiums would decline or what? Or that the amount -- the contributions would decline?

DIRECTOR DARMAN: No. These numbers bounce around for a variety of reasons, and -- you mean, over time? All that's left to pay for as you move out is the -- or, the main thing left to pay for is the Treasury contribution to interest. It's offset by some other things that are happening -- some asset sales along the way, some premiums coming in, things going out. There are a lot of flows, but the nets are the ones that I gave you. We can give you a more detailed backup if you'd like to see it all the way across.

The Treasury payments for the bond interest itself -- and then I'll retire from the podium and let it get back to substance, not numbers -- for the bond interest itself, those numbers go in Fiscal Year '91, .4; '91, 1.6; '92, 0.9; '93, 0.8; '94, 1.1; and the five-year total for that component is \$6.3 billion. So that is part of the 28 billion.

Q And that is taxpayer payments to help pay for the bond interest? That's separate and beyond what the savings and loans have contributed?

DIRECTOR DARMAN: It is in addition to what they will have contributed. Let me just clarify one thing. There is zero Treasury or public or taxpayer -- whatever label you want to use --

money that is involved with respect to the principal of these bonds. Those are covered entirely and in advance by private sources. There is, however, a shortage when it comes to servicing the interest, a projected shortage, when it comes to serving the interest on these bonds. And to make sure that the bonds can be sold at a low cost in the market, the Treasury is saying it will cover the difference between what will be covered by the premium flow for that interest and the total interest burden. That's the number that I gave you for interest. And it's only the interest that is the public money. Indeed, it's not all of the interest, as your question suggests. It's only a portion of the interest, and it's none of the principal -- zero on the principal.

Q I take it that number is the 39.9 -- that's the taxpayers number? Not 45, it's 39.9?

DIRECTOR DARMAN: The 39.9 is the total net of everything over a 10-year period, that's correct. And it bounces around year to year.

Q Secretary Brady, President Bush said that he did not know -- said there was no guarantees that this higher cost for bailing out the S&Ls would be passed on to the consumer. Do you have any concern at all about the recent trend towards higher interest rates in the United States and the affect that has on the dollar?

SECRETARY BRADY: Well, to get to President Bush's question, it was asked first of all, there's no way of knowing that'll be passed on to the depositor. But competition is a very hard force in this country, and perhaps those who pass it on won't get the deposits; the guys that might absorb it will get the deposits. So I don't think there's any way of saying whether it will or won't be passed on until we see how it works. My own private opinion is competition will take over and the guys that don't pass it on are -- will be able to give the depositors more money.

Q Are you concerned about interest rate levels at present, though? The trend towards higher rates?

SECRETARY BRADY: I think you better wait until Chairman Greenspan gets up here. I don't want to comment on that.

Q You said that \$40 billion has already been spent. But \$40 billion has been committed, at least the way I understand this. Can you explain why you're only having to raise \$50 billion?

SECRETARY BRADY: Well, the problem is somewhere between \$80 billion and \$90 billion big. When people say that, and all the estimates that you've been reading over the past months, they also include in that figure that amount of resolutions that have already been taken care of by Danny Wall and FSLIC. So you shouldn't add that to the total. You add the 40 that's been in the past and what we say is some 40 to 50 to go, and that gets to the 80 and the 90.

Q But the money -- what has been committed in the future, but that money hasn't already been laid out by the government.

SECRETARY BRADY: Well, in a sense, it has been laid out by the government because it's been committed in bonds and resolutions that the FSLIC has made. So someday you've got to pay those off, so it's committed.

Q But there will be adequate funds in the FSLIC to --

SECRETARY BRADY: There are adequate funds in this program to pay off not only what has been committed before December 31st, 1988 and what we are proposing from here on.

Q How much of this will require congressional

legislation and how much of it can be done administratively without Congress' approval?

SECRETARY BRADY: In terms of congressional legislation, all the first part of what I mentioned to you this afternoon, which is the creation of the Resolution Trust Company and certainly all of the reforms that go along with that -- increasing the penalties and the like, take congressional action. But starting tomorrow morning, Chairman Wall and Chairman Seidman have said that they're going to put the two funds together -- FSLIC from an administrative standpoint will start to go into FDIC, although the two funds will remain separate.

Q Mr. Secretary, I'm puzzled by the fact that the fact sheet there's a small, only 10-percent increase in the insurance premium to be paid by the S&Ls and an increase of nearly 50 percent to be paid by the banks. Since you're saying that these premiums are not going to be comingled, why are the bank proportionately taking a much bigger hit than the S&Ls?

SECRETARY BRADY: Well, to start off with, the banks come from a much lower level and the funds that are generated out of the bank premiums to take a fund which is at a historical low level compared to what it should be and bring it back up. And you can't do that in one year; it takes some time.

Q If I may follow up, what are some of the problems that have accrued apparently in recent years with the banks that require a virtual doubling of the bank's insurance premium?

SECRETARY BRADY: Well, we can get into that a little bit later; Bill Seidman can tell you. But the same problems that the banks have had -- I mean the same problems that the S&L industry have had, the bank industry has also had. It isn't just particular to the S&L industry.

Q Mr. Secretary, when you reorganize the Bank Board, do you anticipate Mr. Wall will remain as Chairman?

SECRETARY BRADY: He will remain as Chairman.

Q Mr. Secretary, I know when you fellows start talking about a billion here and a billion there, to paraphrase Ev Dirksen, you're not yet talking about real money. But I need the difference between the \$39.9 billion that Dick Darman talked about and the \$45 billion that you talked about clarified, please.

SECRETARY BRADY: Dick?

Q Is that just difference in estimates or is that part of round figuring the other more precise figure?

DIRECTOR DARMAN: I think the Secretary was rounding, if I'm correct.

SECRETARY BRADY: Correct.

Q Is that right, Mr. Secretary?

Q Could we get the total figure that the taxpayer is going to have to pay? Mr. Darman only gave us the five-year figure. What is the total amount?

DIRECTOR DARMAN: I gave you a five-year figure of \$28.1 billion and a 10-year figure of \$39.9. I don't have the figure over the whole life, but the proportion of the interest that is covered by the public sector rises as you go beyond 10 years. But the present value of that is an extremely small number because, obviously, you're talking about 20, 30 years from now.

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Overall, just to give you a rough feel, if you looked at the total expenditures involved and you said, what percent is public? In five years it's about 25 percent. Over the 10-year period it's about 42 percent. Over the 30-year period, in nominal terms, it's about 54 percent. That is not the correct way to look at this. If you looked at it in present value terms, the public share would be substantially smaller. But if you looked at it the way people ordinarily look at it, you would say over the 30-year life, it would be about half and half.

Q Dick, in terms of your short-term problem and what the President has to do on February 9th, this will require a line for additional outlays in the Fiscal '90 budget, is that correct?

DIRECTOR DARMAN: This will be included in the February 9th presentation with, I hope, exactly the numbers I've read to you now. And we will, I hope, still meet the Gramm-Rudman-Hollings targets.

Q So to be specific, that means \$1.9 billion additional in Fiscal '90?

DIRECTOR DARMAN: Obviously, if you're going to spend this money and it's treated as outlays and you're going to budget it, then it means it's got to be in the budget. It will be in the budget and I would hope and expect we will still meet the Gramm-Rudman-Hollins targets.

That said, I might note that the baseline estimates that have been done prior to our doing this analysis presumed that there would be about this level of expenditure required. So it is not something which suddenly shows budget planning way off. It fits roughly within the funds that have been allocated.

Q But to be specific, that's \$1.9 billion over and above what the Reagan administration left you?

DIRECTOR DARMAN: No, that's incorrect. No, it's \$1.9 billion in '90 period. In fact, in the Reagan budget, that number was \$2.1 billion. So it's slight -- it's almost the same as in the Reagan budget.

Q To follow that, the Reagan budget also had \$10 billion for '89 and you've got \$11.1 billion. So you've dumped some of your current costs that went over it, you dumped it back into the past.

DIRECTOR DARMAN: Rich, if you'll pardon my saying so, the word "dump" is not really appropriate. (Laughter.) The November estimates were done before the December action. When we put out our budget, you will see that we take account of the December action. And because the December action was taken after the November estimates, it wasn't in those estimates, but it will be in our estimates. We haven't dumped anything. We will properly account for what has already been done.

Q Mr. Brady, the competitive implications of requiring the S&Ls to be brought up to a standard of financial management that banks meet is likely to produce fewer of the benefits that bring deposits to them in the first place. Has this contingency been taken into effect in assessing future ability to contribute to this deposit premium fund?

SECRETARY BRADY: Yes. I think that the fact that we're requiring more capital in the system and that the whole system is sounder will, in effect, reduce the amount of money they have to pay for their deposits. It should come down.

Q Do you expect them to -- there be a failure rate as they try to bring themselves --

SECRETARY BRADY: Well, there may be some, but in the long run we'll have a much sounder and safer system. We've got some assumptions for institutions not being able to stand the competitive climate in our assumptions. It's accounted for in the figures. But I don't think it's going to be all that big.

Q Sir, are you anticipating to continue the moratorium on S&Ls and the banks going from one fund to the other, or --

SECRETARY BRADY: We are -- that moratorium, if the legislation is enacted, will be part of the legislation.

Mr. Attorney General, they want to ask you a question.

ATTORNEY GENERAL THORNBURGH: There are really two important roles that the law enforcement community can play here. One is the obvious prosecution of those persons who have violated the laws in connection with failures and shortfalls in the system as it presently exists. The other is to provide some suggestions for remediation as we develop these cases and uncover patterns that can be dealt with better within the regulatory structure.

The review of the Department of Justice activities in this area began shortly after I assumed office, and we are able to be fairly precise about where the needs are and how we can utilize the figure that has been announced today as a goal for increased resources for the Department of Justice. The \$50 million will be allocated to increasing our investigative capability through the Federal Bureau of Investigation, providing more prosecutors and more support personnel in the areas in which these problems exist. And in addition to resources, the increased civil and criminal penalties which Secretary Brady spoke about, the addition of new seizure and forfeiture language which will enable us to recoup some of the resources that have been diverted out of the system all provide a package that we are, I think, confident will greatly enhance the ability to contribute to restoring the credibility and integrity of the system as a whole.

Q Are those, sir, who mismanaged in the past, largely beyond your reach?

ATTORNEY GENERAL THORNBURGH: We have a number of indictments that have resulted in convictions thus far, a number awaiting trial, and a number of investigations in various stages. It's been clear, however, that lack of resources has been a major problem in providing the deterrent capability that we ought to have in our law enforcement operations.

Q Since about half, or 40 percent or half of these frauds or collapses have occurred in Texas, do you plan to allocate about 40 percent or half of the enforcement resources to Texas, too?

ATTORNEY GENERAL THORNBURGH: Well, as you know, we already have a substantial commitment to the Dallas task force and we will be looking at ways in which to bring that up to the level necessary to pursue every allegation within that jurisdiction, but we have the advantage there of not only having a head start in terms of the placement of resources, but a laboratory within which this special effort has been undertaken that can be used in replicating in other districts across the country.

Q If I could ask Secretary Brady -- President Bush in his opening remarks said that broader factors in the economy figured into the S&L crisis that we have now. Many people feel that this proposal will be simply throwing good money after bad unless some more steps are taken to deal with the highly-leveraged position that the overall economy is in. That is, the creation of unsecured notes, the junk bonds that are used in leveraged buyouts, and so forth, which they believe has actually contributed to the condition that the

S&Ls find themselves in now.

SECRETARY BRADY: Well, I don't really think that's what caused the problem in the S&L industry. The S&L industry problem was caused by mismanagement to some extent, fraud to some extent, but also some severe depressions in some of the industries that these people did business in.

Also, it's a mistake, we have found out, to federally insure one side of the balance sheet and on the other side of the balance sheet let the institutions who can go and get federally insured funds invest in any kind of activity that they want. So the main stem of this program is to make sure that two things happen -- if people want to do that, they've got an awful lot more of their own money at risk first so that the federal government has some cushion there before they have to come up with their guarantees, but also to make sure that the type of investments that these people can get into is severely restricted from what they were.

Q How about the LBOs? Do you think that there should be any actions taken to divert the level of activity that's going on now?

SECRETARY BRADY: We've had extensive hearings on this subject. I'm sure you read about the results of those hearings -- Chairman Greenspan testified, I testified. I think the general conclusion, not only from the people in Congress who listened, but to those of us that testified, is that this is a trend that we should watch very closely, that some of the reasons that we should be concerned about it are more philosophical reasons, which are that so much of our talent and expertise in this country is used to come up with financial engineering when the rest of the world is setting long term plans. But for a fix right now, I think the general conclusion so far, from the people that I've talked to that come out of those hearings, is people want to watch and wait some more.

We'll just take a couple more questions. We're going to -- we have a complete briefing for those who want to stay and some fact sheets to hand out, but why don't we take two or three more questions.

Q Mr. Secretary, can we go back to the \$40 billion? As I understand it, is the amount of notes that were issued under Mr. Wall's resolution -- right?

SECRETARY BRADY: I'm going to let Mr. Darman come up here and repeat what he said before to you.

Q How is that going to be repaid?

DIRECTOR DARMAN: It's the -- the \$40 billion is not the amount of the notes. About 20 is the amount of the notes, and the remainder is an estimate of the value of the yield maintenance agreements that are associated with those notes, and other costs associated with those deals. The notes -- the roughly \$20 billion in notes have already been scored as outlays in the federal budget. The remaining portion has not yet been scored because in most cases the remaining portion has not yet been paid. The deals have been concluded, the obligations are there, but the additional funds are paid over time and it's a projection as to what those expenses will be. So some of those are costs that continue into the future even though these deals have already been concluded and the \$40 billion has already been committed.

Some of that continuing stream can be funded from the S&L premiums, but that -- when you add up everything that has to be funded, with the premium structure that is projected, you still come up short by the amount that I indicated over the period. So part of the amount that I indicated you could think of -- and I identified it specifically -- as paying the interest. The remainder is filling a

gap which exists above and beyond the interest in part from the expenses -- future expenses associated with deals already done.

Q So what you're saying is that the principle -- no principle will be repaid, that's limited to the \$50 billion in bonds? There is a portion of those notes and deals that you will have to cover out of general revenue funds?

DIRECTOR DARMAN: Well, this takes all of that into account. The 30 year cost, the 10 year, 15 -- all of that takes fully into account a presumption as to what the repayment schedule and how that's going to be financed and so on. And I think that will all be laid out in the detailed fact sheets you'll get.

SECRETARY BRADY: We're going to take one more question from this lady here. But I just want to comment on one thing. The \$50 billion that's going to be raised by the Resolution Trust Company is coming all from S&L industry funds, that is not coming from the taxpayers.

Q I have a two-part question. First of all, I just want to understand -- the \$40 billion that Danny Wall committed last year, the GAO estimates that the Bank Board is going to have a short fall of about \$26 billion. Is that what you're saying you have included in your estimate?

DIRECTOR DARMAN: No, we don't have exactly the same estimate, but we have a little bit different estimate than was used, I think, by Danny Wall, and we are taking our revised estimate into account. But what you say is the amount of the shortfall depends on where you say your allocating what's coming in. What's coming in --

Q They said over ten years -- the GAO said over 10 years --

DIRECTOR DARMAN: I understand, but there's a question of whether -- what you assume else is being paid for with the stream of money coming in. What you'll see, I think, in the sheets that we'll hand out is an easier way to look at it. Just separate out the pieces, look at all collections coming in, all obligations for things going out, and you can see what the gap is there and which portion is paid publically and which is --

Q But regardless of what the short fall is, you're saying it will only be interest rates --

DIRECTOR DARMAN: No, --

Q That the taxpayers will only pay --

DIRECTOR DARMAN: No, that's with respect to the \$50 billion that Secretary Brady has correctly said will be raised, and the principle of -- with that \$50 billion, the principle obligation -- \$50 billion -- will be covered entirely and in advance by private sources. It's not dependent on any future stream because it will be covered, if I might say, it would be covered by the purchase of zero coupon bonds immediately from private sources, from industry sources. And those zeros mature and fully cover the \$50 billion. This isn't some promise dependent upon a future income stream.

Q Well, what about the \$40 billion? We understand that for the 50, but the 40 --

DIRECTOR DARMAN: Some of that is not adequately covered and a portion --

Q How much?

DIRECTOR DARMAN: Well the difference, roughly speaking, the net amount that isn't covered is the difference between the

number I gave you for the interest portion and the bottom line for total outlays.

Q Can you give us a number? How much are taxpayers going to have to pay of the \$40 billion?

DIRECTOR DARMAN: I can't break it up that way for you. I gave you the amount that really matters which is how much the taxpayers are going to have to pay, period.

Q And second, the follow-up question on that is, when you talk about a \$90 billion problem, that's on principle, that doesn't count the interest payments, correct?

DIRECTOR DARMAN: That is a way of putting it that would be correct. If you looked at the total debt servicing associated with it, the number would be larger than 90, which is why some of these numbers we've been using here don't correctly add.

Q What's the number if you add the total amount --

SECRETARY BRADY: Let me just say, you know, that is a way to look at it, but it -- I mean if you buy a house and the person sells it to you for \$100,000 you don't -- and somebody asks you how much it cost, you don't say \$100,000 plus all the interest that it cost you.

Q I do when I'm thinking about tax dollars.

SECRETARY BRADY: Well, you know, when we account for an aircraft carrier or some capital item in the budget we don't -- we say what the thing cost when you buy it from the guy that sells it to you and not what the financing charges are and the portion of the deficit over --

Q Just humor me, how much is the total payment, principle and interest?

Q Can somebody else ask a question.

Q Yes, please.

DIRECTOR DARMAN: Maybe this would humor you. I have already given you that. The total I gave you is for all of the above, it is the way you would want it, not the small way. If we wanted to give it the way people normally think about a house, the number would be lower.

SECRETARY BRADY: We're going to -- thank you all very much. We've got Richard Breeden and Bob Glauber here who have got fact sheets and all of the backups and we urge you to stay here and work with them and get the subject cleared up.

END

5:15 P.M. EST

Testimony  
of  
Thomas W. Luce III

Chairman of the Texas  
National Research Laboratory  
Commission

before the

Subcommittee on International  
Scientific Cooperation

of the

House Committee on  
Science, Space, and Technology

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March 8th, 1989

Mr. Chairman, Members of the Committee, it is a pleasure to appear before you today to testify concerning the Superconducting Super Collider (SSC). I am the Chairman of the Texas National Research Laboratory Commission (TNRLC), the state agency which is responsible for the State of Texas' participation in the development and operation of the SSC.

My prepared testimony today will focus on 3 important issues:

1. The national interest in proceeding with construction of the SSC;
2. The role of the State of Texas in funding the construction of the SSC; and
3. Foreign participation in the SSC.

#### National Interest in Commencing Construction of the SSC

As Chairman of the TNRLC, I am asked from time to time to justify the commencement of construction of the SSC at a time when every expenditure in the Federal budget must be scrutinized and prioritized.

First, let me say I believe that nothing less than our world leadership in science and related technology is at stake. Our country's efforts to solve a host of issues ranging from economic competitiveness to environmental problems will depend on our commitment to maintaining this leadership.

While we cannot predict with certainty the exact applications which will flow from the construction and operation of the SSC, history tells us there will be numerous applications of enormous importance.

Throughout history, pure or basic scientific research projects such as the SSC have laid the groundwork for the development of technologies that have improved the quality of human life.

Basic research led to the discovery of the electron in 1897, which in turn led to the development of the transistor, microchips, and television.

In the last 2 decades, all of us have been impacted by the basic physics research of the 1920s; applications of quantum mechanics have included the utilization of microchips in personal computers and laser beams in compact disc players. All of these products are derived from our understanding of the behavior of individual electrons and atoms.

Proton and heavy-ion accelerators, originally built for physics research, have been used in medical therapy for over 25 years. In the diagnosis of illness, Magnetic Resonance Imaging (MRI) and CAT scans, which utilize superconducting magnets, enable doctors to see inside the body and determine the precise location and size of tumors. This once arcane medical practice impacts 100 million Americans and is now a billion dollar industry.

Fermilab is currently building an accelerator for the Loma Linda University that will be used for the treatment of cancer.

Positron Emission Therapy (PET) scans are now being used to distinguish the 2 major types of cancerous breast tumors.

It does not take much imagination to conclude that future research in the field of high energy physics could some day help us to conquer cancer.

Today x-ray beams from electron accelerators are being used by industry to produce the next generation of computer chips that will be at the heart of future super computers.

Accelerators are also being used to remove noxious chemicals from smoke stack emissions.

As a result of these examples and many more, it is clear that a large portion of U.S. technology today owes its existence to the development of modern accelerators and related technologies. Past investments in basic research of the interior of atoms have been repaid 100 times over in terms of new technology, new jobs, enhanced national security, and advances in medicine. In pure financial terms, it is easy to see why observers estimate that approximately 1/3 of our gross national product (GNP) is based on our knowledge of the atom.

In addition to the past history of the development of applications from basic research in the field, today - even before we have had a ground breaking ceremony in Ellis County, Texas - research for the SSC has already begun to yield high technology spin-offs.

The spin-offs to date include:

- Better magnets for medical diagnostic machines using magnetic resonance imaging, a method of looking inside the human body, that promises to be even more useful than x-rays and CAT scans.
- More efficient techniques for tunneling that could save millions of dollars in the construction of subways.
- A light-weight compact microwave amplifier that could boost the effectiveness of satellite communications.
- A giant coil of superconducting cable that could store

electricity produced by power plants at night when demand is low and release it during the day when demand is high.

- Enhancements in hardware and software that will enable us to remain in the race for leadership in the super computer field.

In addition to the numerous tangible "spin-offs" which we can reasonably expect from our review of historical precedents and the advances which have already resulted from preliminary work on the SSC, there are many intangible benefits which we can expect from the SSC. They include:

- The attraction of many of the world's leading physicists to live and work in the United States as opposed to the "brain drain" the United States would suffer if the center of high energy physics shifts to Switzerland, Japan, or Russia.
- The SSC will be utilized by over 100 American universities, thereby strengthening the research capabilities of universities in every section of the country.
- The SSC will be a visible and tangible commitment by our country to science and technology and thus serve as an inspiration for young people to pursue careers in science; and finally,
- Construction of the SSC will symbolize American determination to

maintain our scientific leadership in the world and remain competitive in the increasingly challenging world economy.

In summary, I submit that we must proceed with construction of the SSC. What is the price of failing to do so? It means we will relinquish scientific leadership in a field that has yielded enormous benefits to our society. It means continuing a trend in our country of short term spending decisions instead of investing in the future. If we are going to bequeath to the next generation a deficit, the least we can do is invest today in a long range project which will yield enormous benefits to that generation.

This is a very rich country, rich in resources and talent. But it still requires leaders of vision to spend today and invest for tomorrow in the right proportion. I am confident the Congress will accordingly invest in the construction of the SSC.

#### The Role of Texas in the Construction of the SSC

The people of Texas feel so strongly about the importance of the SSC that they voted in a state-wide election by an overwhelming 62% to spend \$1 billion to help finance the construction of the SSC.

Surely, you say, why not, since the SSC will be located in Ellis County, Texas. First, it should be noted that Texans voted for this financial package even before the site selection decision was made; and second, virtually none of the \$125 million appropriated to date by Congress has been spent in Texas. Most of the money has been spent in California, Illinois, and New York. The SSC is

not a pork barrel project for Texas. To assure that the project is indeed national in scope, Texas has proposed to use \$100 million dollars of the \$1 billion dollar package to support higher education and physics research at the SSC site and at universities and laboratories throughout the country.

The people of Texas are committed because we see the national interest inherent in this project and on a smaller scale, we see the same type of tangible benefits accruing to Texas and our neighboring states. We see the opportunity to use science and technology to transform our economy from a natural resource and agriculture-based one to an economy based on technology.

As a result of the farsightedness of the citizens of our state, the Commission I head is authorized today to utilize \$1 billion to ensure the development of the SSC. What we need from Congress to justify our investment is a decision to authorize construction and to appropriate \$250 million for the construction process.

If Congress sees fit to commence construction, we are prepared to be your financial partner.

Texas is willing to pay its fair share to ensure that the non-federal participation goal of 30% envisioned in legislation introduced by Congressman Hall of Texas is met. We believe this goal is obtainable with a combination of participation by Texas as well as foreign countries.

#### Foreign Participation

If Congress continues to want foreign participation in the development and operation of the SSC, we believe the best strategy to accomplish this objective is to:

- (i) demonstrate our commitment to the SSC by Congress voting to spend a significant amount of construction money;
- (ii) ask Texas to "front load" for 2 years a portion of its investment.

I believe this strategy will permit us to debate and decide upon the terms and conditions under which we want foreign governments to participate. There are many serious intellectual property issues that must be addressed. In addition, a firm construction commitment by Congress and Texas will demonstrate the inevitability of the SSC project. I sincerely believe this strategy will optimize the amount and the terms of that investment.

Texas feels so strongly that this is the best strategy that we are willing to "front-load" some of our investment for the first 2 years to meet the 30% non-federal contribution requirement.

In this regard, we would propose, Mr. Chairman, that Section 2 of H.R. 1195 be amended to allow the total non-federal contributions to the project to meet the 15 percent and 30 percent requirements of this section. This would allow time for Congress and the Administration to negotiate significant foreign commitments under acceptable terms, while allowing the State to meet the expected non-federal contribution requirement during the early phases of construction.

In closing, I want to thank this Committee for their work in the fields of science, space, and technology. I know you face many difficult choices with a finite amount of funds.

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I sincerely believe the SSC can be the most important machine mankind has ever built. I hope you reach the same conclusion.

I would be happy to respond to any questions you may have.

Thank you.

# THE SUPERCONDUCTING SUPER COLLIDER

## A TEXAS COMMITMENT TO NATIONAL EXCELLENCE



November 10, 1988

CONTACT: Rosanna Salazar or  
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### TEXAS LANDS SUPERCONDUCTING SUPER COLLIDER

(AUSTIN) -- The U.S. Department of Energy (DOE) today announced Texas as the preferred site for the Superconducting Super Collider (SSC). The SSC represents the world's largest and most advanced particle accelerator and, as such, the world's largest scientific instrument. Basically, the SSC will accelerate two beams of protons in opposite directions to nearly the speed of light and bring them into collision at four points where detectors will record previously unobserved results of such collisions.

"This is a gigantic boost for the Texas economy," Governor Bill Clements said. "This project brings a cutting-edge technology to our state. Thousands of scientists from across the nation and the world will participate in the project. The Super Collider is a shining triumph for the people of Texas."

The SSC will be located in a tunnel approximately 53 miles in circumference and will be used for the study of fundamental nature of matter and energy. Its estimated total cost is about \$5 billion with an annual estimated operating budget of about \$250 million.

The site is located in the northeastern portion of Texas, approximately 25 miles south of Dallas and 35 miles southeast of Fort Worth. It is entirely within Ellis County.

- MORE -

A significant economic enhancement will result from the state's landing the SSC. Increases will be generated in wages and salaries, company profits, and state and local taxes. In addition to the direct and indirect economic impacts of the SSC, it is expected that various ancillary economic benefits will also accrue to the state, primarily through increased research and development activities at Texas universities.

The on-site work force during construction will peak at approximately 4,500 people. Once the facility is operating, the SSC staff will number around 2,500 and 500 visiting scientists are expected to be on-site at any given time.

Following Presidential approval of the project in January 1987, the DOE requested proposals for sites in April 1987 and received 43 proposals from across the U.S. In January 1988, the seven best qualified sites were announced by the DOE. Those sites were located in Texas, Arizona, Colorado, Illinois, Michigan, North Carolina and Tennessee.

The final site selection was based on six technical evaluation criteria: geology and tunneling, regional resources, environment, setting, regional conditions, and utilities.

# **THE SUPERCONDUCTING SUPER COLLIDER**

## **A TEXAS COMMITMENT TO NATIONAL EXCELLENCE**



### **SSC - What it took for Texas to get it**

- 6/85 Texas National Research Laboratory Commission created by 69th legislature.
- 1/87 President Reagan approves for submission to Congress a proposal to construct the world's largest and most advanced particle accelerator -- the Superconducting Super Collider (SSC).
- 3/87 Texas SSC Advisory Council established to make recommendations to Commission. Texas Commission holds first meeting and solicits proposals from regional groups throughout state.
- 4/87 U.S. Dept. of Energy issues invitations for site proposals.
- 5/87 70th Legislature grants Commission authority to issue \$500 million in revenue bonds and, contingent on voter approval on Nov. 3, an additional \$500 million in general obligation bonds. Fourteen proposals are submitted to Commission, and sites near Amarillo and Dallas/Ft. Worth are selected as state finalists.
- 9/87 Submission of proposals from throughout the nation to DOE. Preliminary review of proposals by DOE, followed by evaluation of proposals by a committee appointed by the National Academy of Sciences and National Academy of Engineering. Texas Commission begins collection of data for environmental impact statements.
- 11/87 Texas constitutional amendment approved by voters. It authorizes issuance of up to \$500 million in general obligation bonds to pay for land acquisition, utilities, buildings, roads, etc.
- 1/88 Best qualified list of proposers submitted to DOE.
- 5/88 DOE Site Task Force visits Texas for on-site review of every facet of the the Texas proposal--from geology to local resources.
- 11/88 DOE announces Texas as preferred site.
- 1/89 Announcement of final site.
- 1996 Target date for start-up of SSC.

# THE SUPERCONDUCTING SUPER COLLIDER

## A TEXAS COMMITMENT TO NATIONAL EXCELLENCE



### Advanced Technology Infrastructure In Texas To Support SSC

Texas scientists, public and private, are pushing the frontiers of science and technology in fields critical to the world economy and quality of life.

The following is a description of some of the most concentrated of these efforts.

Texas has a reputation as a great place to do business, and among U.S. metropolitan regions of more than 1 million, the Dallas-Fort Worth Metroplex showed the highest *business* birth rate in the nation -- a result of productivity, competitiveness, and the low cost of land, labor and capital. Many of these new businesses are producers and users of advanced technology.

- The Metroplex today ranks as the fourth largest center of technology activity in the country. For employment growth, the Metroplex ranks in the top five regions in the country in each of the high-tech sectors of computers, instrumentation, and telecommunications.
- These new jobs include positions on the front line of new research, as evidenced by the fact that the region received nearly \$930 million for federal R&D in 1987. In fact, the Metroplex is the fastest growing region in the U.S. in capturing federal support for BASIC research -- about \$400 million in fiscal year 1987.
- Industry-funded R&D is also significant -- Texas Instruments alone budgets about \$425 million for internal research, more than half of which remains in the Metroplex. Major corporations support university collaborative research in robotics, automation, and manufacturing sciences.
- The Metroplex stakes a strong claim in medical research, too. Southwest Medical Center scientists brought home the second Nobel Prize in three years. Southwest Medical broke ground in November for a Magnetic Resonance Center, expected to advance medical research as well as provide opportunities for collaboration with scientists connected with the Superconducting Super Collider.

**Houston** already houses the world's largest medical center, as well as the world-renowned NASA Johnson Space center, and now hosts the Texas Superconductivity Center, as well.

- The Texas Medical Center comprises 39 institutions and an operating budget of over \$2 billion a year. The Center leads the world in numerous fields of clinical research and medical care, and is particularly famous for heart and cancer research. More than \$200 million of research a year is conducted at the Center. Several private companies have successfully spun off of faculty discoveries, laying the groundwork for a powerhouse biotechnology industry.

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- As a center of aerospace technology, the NASA - Johnson Space Center and its affiliated contractors and subcontractors serve as a dynamic foundation in building and maintaining our country's space exploration efforts. The University of Houston at Clear Lake, by providing educational offerings for the space industry, has helped attract further investment in the region from additional aerospace companies that require continuing education opportunities for their employees.

- The Texas Legislature recognized the achievement of Dr. Paul Chu and the importance of high-temperature superconductors by creating, in 1987, the Texas Center for Superconductivity, another part of the University of Houston System. Strong participation by the private sector in this Center is indicative of the promise of this new and exciting area of research.

**Austin** leads the country in hosting two industry collaborative efforts that are each unique in the nation.

- The Microelectronics and Computer Research Corporation, after a grueling and competitive site-selection process, found Austin to have the strongest commitment to developing the academic infrastructure this path-breaking research effort required.

- Four years later, MCC was able to tell Sematech that "Austin, and Texas, honor their commitments." Sematech chose to leverage its \$250 million/year semiconductor manufacturing research effort with those of MCC, the University of Texas at Austin, and a computer and electronics industry that has been thriving in Austin for years.

**San Antonio's** growing excellence in biomedicine has been rewarded with substantial private support and philanthropy.

- Southwest Research Institute, one of the nation's non-profit research powerhouses, the University of Texas Health Science Center, the Texas Research and Technology Foundation, and the Texas Research Park, combine with a tremendous military medical infrastructure, to create a dynamic environment for both producers and consumers of research opportunities.

Other regions of Texas foster technology as well, nurtured by the state's diverse research programs and its network of Agricultural and Engineering Extension Services and information networks. Bryan/College Station and Lubbock benefit from the extensive university infrastructure in those cities. Texas' border with Mexico, because of the explosive development of the maquiladora program, is becoming a new market for technology products and services.

# THE SUPERCONDUCTING SUPER COLLIDER

## A TEXAS COMMITMENT TO NATIONAL EXCELLENCE



### POTENTIAL COMMERCIAL SPIN-OFFS

**Superconducting Super Collider (SSC)** -- a sophisticated particle accelerator that represents an enormous step in both energy and the quality of light beyond existing levels. The SSC would discover not only new particles, but new dimensions of known particles.

**Particle Accelerator** -- a machine which provides charged particles -- usually protons and electrons -- with high kinetic energies by accelerating the particles in an electric field. These particles enter at a low velocity with low kinetic energy and are ejected at a velocity close to that of light with high kinetic energy. These energized particles are then "smashed" into a target or into another quantity similarly energized. The resulting particles give information about the constituents and forces that govern matter -- representing a fundamental step into new scientific frontiers.

The products and the knowledge gained from using accelerators ranges from medicine for diagnosis and treatment of illness to industrial radiography. Some examples of accelerator products and their potential uses are:

- \* **Medicine** - the uses range from sterilization of medical apparatus and materials to the diagnosis and treatment of diseases such as cancer.
- \* **Industry** - uses vary from removing harmful bacteria in foods to surveying for hydrocarbon deposits in the rock surrounding the shaft of a well to converting certain plastics into materials that will not melt in boiling water.
- \* **Computers** - Through the use of soft x-rays produced by electron accelerators, chip-makers can achieve finer resolution, allowing for a higher density in chips. This would increase the amount of information that fits on a chip by 1000 times.
- \* **Energy** - Accelerators are used in the magnetic fusion program for neutral beam heating, in obtaining relevant neutron cross-section data, in beam-toil spectroscopy experiments which obtain data required for analysis of impurities in fusion plasmas, and as a source of neutrons and other particles to study materials damage in fusion reactors.
- \* **Superconductivity** - provides an innovative x-ray technique for locating damaged electric power cables. It also utilizes a laser device which can be developed for uses such as monitoring the air quality in industrial environments like coal mines, grain elevators and chemical plants.

-MORE-

SUPERCONDUCTING SUPER COLLIDER FACT SHEET  
PAGE 2

- \* Synchrotron Radiation - used in medical biological studies of protein structures such as the virus that causes the common cold and the diagnosis of cardiovascular disease.
- \* Magnetic Resonance Imaging - makes use of superconducting magnets to "see" inside the human body without use of x-rays or invasive surgery.
- \* Technology - there's no better way to ensure technological leadership for the U.S. than to make sure we are on the leading edge when it comes to advancing world knowledge.
- \* Education - the SSC will help attract the best and brightest young people into careers in the sciences. The SSC will provide a rich training ground for graduate students and the kind of challenging problems that will inspire young scientists from many different disciplines.
- \* International relations - accelerators are international institutions which offer unique opportunities for international exchanges and cooperation. The formal and informal contacts that take place routinely at accelerator laboratories have an influence far beyond science. They are bridges for international understanding and peace.

**Future Possibilities**

- \* SSC uses may range from fusion catalysis using new stable particles, which offers valuable implications for power generation, to prospecting for oil and minerals using neutron beams.
- \* The SSC will contribute to technologies and computing capabilities that simply do not yet exist but which should push the abilities of our machines to new levels.
- \* The use of light in place of electrons in detectors that measure the proton collisions could open the door to revolutionary changes in the way we build and use computers.

**Significance of particle accelerators to science:**

Without the invention of particle accelerators, and their energy sufficient to cause the breakdown of protons, much of science and technology as we know it would not have happened.

If particle accelerators had never been invented, the understanding of radioactivity and nuclear physics would have been very small. Thus, nuclear medicine and the use of accelerators in cancer therapy would not exist. Neither electron microscopes nor the idea of fusion power would have come into being. Nor would there be a radiation processing industry, which is having an ever-increasing impact in developing important sterile products for the medical industry.

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# **THE SUPERCONDUCTING SUPER COLLIDER**

## **A TEXAS COMMITMENT TO NATIONAL EXCELLENCE**



### **HIGHER EDUCATION IN TEXAS: A FOUNDATION FOR TECHNOLOGY DEVELOPMENT**

Higher education and technology development represented a strong plus in Texas' quest for the Superconducting Super Collider. Texas has the two essential components for a strong technology/ education infrastructure: a history of making the necessary investments, and a tradition of innovation in and out of the laboratory.

#### **THE INVESTMENTS:**

- \* Texas has made a long-term investment to support quality higher education. The Permanent University Fund and the Higher Education Assistance Fund together support higher education infrastructure investment, providing \$610 million for research and development in the 1988 fiscal year.
- \* Texas targets research funding in areas of particular value to both the state's developing and future industries. A total of 44 research-oriented special programs within institutions of higher education received \$46 million in the current biennium.
- \* Texas encourages innovation in basic and applied research through the Advanced Research Program (ARP) and the Advanced Technology Program (ATP). The ARP is a competitive grants program which funds basic research in thirteen specified areas. The ATP funds applied research with potential for commercialization within the state, in any of ten targeted areas.

#### **THE INNOVATION:**

- \* The state, in conjunction with the University of Texas System, is host to two of the nation's most promising and innovative efforts in collaborative effort and technology transfer: Microelectronics and Computer Technology Corporation (MCC) and Sematech. While MCC and Sematech are not university programs, their presence in Texas is testimony to the commitment of Texas higher education and public officials to developing a foundation of basic and applied research in Texas.

-MORE-

**SUPERCONDUCTING SUPER COLLIDER FACT SHEET**  
**PAGE 2**

- \* Texas couples long experience in technology transfer with some of the newest and most innovative approaches in the country. These mechanisms will help move new products and processes out of the laboratory and into the commercial sector.
- \* The Texas Engineering Experiment Station (TEES) and the Texas Agricultural Experiment Station (TAES) demonstrate Texas' long-standing interest in technology assistance and transfer. Both are components of the Texas A&M University System. They have facilities throughout the state and conduct research in areas of direct interest to Texas industries.
- \* The Texas Innovation Information Network System (TIINS) is a non-profit service dedicated to helping business-university relationships develop more easily. Business people in Texas are able to quickly identify key researchers and research programs in the Texas higher education community through the use of a TIINS-sponsored database.
- \* Technology transfer is facilitated by Texas' enlightened approach to intellectual property at Texas institutions of higher education. Each institution is required to have a formal intellectual property policy, intended to encourage faculty members to commercialize the results of their research.
- \* At least twenty-five institutions foster technology development and transfer directly, through offices specifically charged with that goal. Two of these were given a state-wide charter for the commercialization of university technology and all are pooling their experiences and skills through the new Texas Technology Transfer Association.
- \* The Houston Area Research Center (HARC) carries out a broad spectrum of collaborative research and is a leader in magnet design for the Superconducting Super Collider. HARC is a collaboration of the University of Texas at Austin, Texas A&M University, the University of Houston at University Park and Rice University.

-END-

# **THE SUPERCONDUCTING SUPER COLLIDER**

## **A TEXAS COMMITMENT TO NATIONAL EXCELLENCE**



### **KEY CONTACTS CONCERNING THE TEXAS SUPERCONDUCTING SUPER COLLIDER**

#### **The Texas National Research Laboratory Commission (TNRLC)**

The TNRLC, appointed by Governor Bill Clements, is the lead Texas group associated with the national competition for the Super Collider. The TNRLC was established by the Texas Legislature to provide the technical expertise as well as developing support for Texas' proposal for the Super Collider.

Chairman: **Mort Meyerson**, 512/471-8153

Executive Director: **Dr. Edward C. Bingler**, 512/471-8153

Key contacts for  
the Commission:

**Jack Evans**, Chairman  
Texas SSC Authority, 214/385-2841

**Martin Goland**, President,  
Southwest Research Inst., 512/522-2200

**Gerald Giffin**, President,  
Houston Chamber of Commerce, 713/658-2400

**Jerome Johnson**, Partner  
Underwood, Wilson, Berry, Stein & Johnson  
806/379-5613

**Peter O'Donnell, Jr.**, 214/742-7211

#### **Texas Scientific Advisory Council**

The Scientific Advisory Council is appointed by the Governor and serves as science and technology counsel to the TNRLC concerning the proposal as well as future technological benefits of the Super Collider.

Key Contacts: **J. Fred Bucy**, Chairman, 214/869-0852

**Peter T. Flawn, Ph.D.**, Vice Chairman,  
512/471-1825

**Perry L. Adkisson, Ph.D.**, Chancellor,  
Texas A&M System, 409/845-4331

Texas A&M University, 409/845-4432

**Austin M. Gleeson, Ph.D.**, Physics Department  
The University of Texas, 512/471-7773

**Hans Mark, Ph.D.**, Chancellor,  
The University of Texas, 512/499-4201

### **The Texas Superconducting Super Collider Authority**

The Texas SSC Authority was established to provide support to education, fundraising and other programs for the Dallas-Fort Worth/Ellis County site of the Super Collider.

**Key Contacts:**

**Jack Evans**, Chairman, Texas SSC Authority  
214/385-2841

**Dr. William Banowsky**, President, Texas SSC  
Authority, 214/385-2841

**Bob Duke**, Executive Director,  
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**Additional Scientific Contacts:**

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**Dr. Albert Halff**, Albert Halff & Associates  
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**E.L. (Buddy) Langley**, President  
General Telephone Company of the Southwest  
and  
Chairman of the North Texas Commission  
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**(For comments on technology and economic  
development potential)**  
214/812-4600

**Jerry Farrington**, Chairman of the Board & Chief  
Executive, Texas Utilities Company, Dallas,  
Texas  
**(For comments regarding support of utilities,  
technology and economic development  
opportunities.)**  
214/812-4600

**Admiral Bobby Inman**, Chairman and Chief  
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Fort Worth, Texas, 817/390-3214

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**John Johnson**, Managing Partner,  
Johnson & Swanson, Dallas, Texas  
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**John Stevenson**, Vice President, Bass Brothers  
Enterprises, Forth Worth, Texas, 817/390-8832

**Dr. Hylan B. Lyon, Jr.**, North Texas Commission,  
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**Dr. Robert K. Tener**, Executive, North Texas  
Commission, 214/621-0400

**Mr. Harden Wiedemann**, President,  
North Texas Commission, 214/621-0400

**Mr. Scott Eubanks**  
The Dallas Partnership, 214/746-6733

**State Public Officials**

**Governor William P. Clements**  
State Capitol  
Austin, Texas, 512/4631826

**Lt. Gov. William Hobby**  
Austin, Texas, 512/463-0010

**Mayor Annette Strauss**  
City of Dallas, 214/670-5682

**Mayor Bob Bolen**  
City of Fort Worth, 817/870-6111

**Roy English**  
County Judge, Tarrant County  
Fort Worth, Texas, 817/334-1441

**Lee Jackson**  
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**Ellis County Contacts**

**G. Stephen Howerton**  
City Manager, City of Ennis  
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**Nicholas B. Jordan, Jr.**  
Executive Vice President  
Waxahachie Chamber of Commerce  
214/937-2390

**C. Edwin Farrar**  
Managing Partner, Coldwell Banker  
(former Mayor of Waxahachie)  
Waxahachie, Texas, 214/937-3308

**Standard D. Lambert**  
President  
First National Bank of Ennis  
Ennis, Texas, 214/875-8461

**John M. McKinney**  
District Manager  
Texas Power & Light Company  
Waxahachie, Texas, 214/937-0660

**Charles Pinto**  
City Manager  
City of Midlothian  
Midlothian, Texas, 214/775-8271

OFFICE OF THE GOVERNOR

TUESDAY, OCTOBER 4, 1988

CONTACT: ROSSANNA SALAZAR  
(512) 463-1826  
HENRY GANDY  
(202) 488-3927

STATEMENT OF GOVERNOR BILL CLEMENTS  
ON THE STATE OF TEXAS' FINAL PRESENTATION ON THE  
SUPERCONDUCTING SUPER COLLIDER  
WASHINGTON, D.C.

With me, as you all know, is Senator Gramm, Speaker Wright and Congressman Barton. We are also joined by Mr. Mort Meyerson, who is chairman of the Texas National Research Laboratory Commission, and Dr. Edward Bingler, its Executive Director.

At the request of Secretary Herrington, Texas today made its final presentation on the state's proposal for the Super Collider.

Under the leadership of this fine group here today, we recapped, for the Secretary, Texas' unwavering commitment to this project and our dedication to its successful completion.

It's in the Texas character to continually reach for greater heights, to set higher and higher goals. And just as the Reagan Administration is dedicated to preparing America for a new era of progress in high energy physics, so is Texas committed to helping the nation reach that goal.

We believe the Texas site -- with its technical merits and the rock-solid support of Texans across our state -- is best suited to realizing that achievement.

As many of you know, we propose that the Super Collider be built in Ellis County, some 30 minutes south of the Dallas-Fort Worth area.

This location was selected because of its numerous strengths, including an ideal geology, its proximity to a highly qualified work force, its access to solid educational and research facilities, as well as to a high technology research, transportation and manufacturing base.

And just as important, we firmly believe that the minimal environmental impact the SSC would have on this site would allow the Department of Energy to complete the project on time and under budget.

The resolve of Texans to host such a vital facility is great. It stretches from Waxahachie -- which has welcomed the prospect with open arms -- to Washington -- where our delegation has taken the lead in marshaling the project through the budget process.

Yes, we believe that Texas has the superior site -- superior in all respects -- for the scientific endeavor of this century.

Over the past 20 months, the Department of Energy has conducted an exhaustive and detailed technical analysis of each of the sites under review.

Throughout, the Department has been fair and impartial, and we know the final seven states will receive the same consideration now.

So, let me close by congratulating Secretary Herrington and the Department for their excellent job in handling this project.

While we remain convinced that the Texas site is the best for the SSC, we will await the Secretary's decision in late November with great anticipation.

END

By Dick Stanley  
American-Statesman Staff

Asking high-energy physicists why they want the superconducting supercollider makes the giant particle accelerator reminiscent of the fable about the blind men who touch different parts of an elephant.

Each describes the part he knows best.

"There are hundreds of different answers and they're all partly true," said F. Russell Huson, a professor of physics at Texas A&M University.

Theoretical physicists such as Steven Weinberg and Austin Gleeson of the University of Texas believe the machine will help discover a simple, unifying explanation for all matter in the universe and the forces that act upon it.

They say the explanation high energy physics has had since the early 1970s, called the Standard Model, is complicated, contradictory and incomplete.

Experimental physicists such as Huson and Peter McIntyre of A&M also want a unified theory. But they speak of the machine's practical advantages.

They see design and construction problems whose solution would advance American science and technology, launch spinoffs for medicine and industry and, ultimately, produce a machine that might uncover a source of energy without the pollution problems of fossil and nuclear fuels.

Then there are the cosmologists. Their training combines physics and astronomy and their vision of the supercollider may be most romantic of all.

Cosmologists believe the universe began with a cataclysmic explosion called the Big Bang. They have long known that while the galaxies of stars seem motionless to us, they are moving rapidly away from each other.

"Our whole galaxy," Weinberg wrote in a recently revised edition of his 1977 book *The First Three Minutes*, "is traveling relative to the radiation background at about 400 kilometers a second, more or less in the direction of the rich clusters of galaxies in Virgo."

Scientists say the condition suggests that, at one time, matter in the universe was much closer together. They believe that, in the terrifically hot trillionth of a second after the Big Bang when matter began to fly apart, nature's laws were in balanced proportion.

If they could relive that moment, scientists say, they would be able to see the true relationship between matter and the forces of nature. The supercollider is designed to re-create those conditions.

Thus, cosmologists expect the machine to lead to a new understanding of how we and the universe came to be. "Then," as English physicist Stephen Hawking wrote in his 1988 book *A Brief History of Time*, "we would know the mind of God."

But since its invention by the Greeks in about 450 B.C., science has been an art without certainty. There has always been room for doubt.

"You won't answer all the questions," said Gleeson. "You'll get answers and, therefore, new questions."

To Gleeson, chairman of the physics department at UT-Austin, the best reason for the supercollider is to help high-energy physics get unstuck.

"We're stalled for lack of new, experimental tests of theory," he said. "Our experiments aren't giving us any new leads."

Scientific theories are not random notions of the way things might be. They are based on and explain experimental evidence and they lead the way to new things.

"We try to fit things to mathematical theory," said Huson. "The atom was known in the 19th century but barely understood until the theory of quantum mechanics was developed in the 1920s. Then, we could predict lasers, radar, solid-state phenomenon. That's what you get from a theory, an enormous expansion of things you can do."

Gleeson said it is science's current understanding of quantum theory that underlies the manufacture of computer chips and the designer molecules chemists use to create new compounds.

For more than 50 years, the chief experimental tool

# Supercollider traces its theoretical roots to time's beginning



Staff illustration by Cliff Vancour

for the fundamental science of high-energy physics has been the particle accelerator. The first one, a cyclotron built in 1932, was a pillbox-shaped machine 4 inches in diameter. An 11-inch version later accelerated a proton to an energy of 1 million electron volts.

By comparison, the electrons in the filament of a flashlight bulb are accelerated by its batteries to about three electron volts.

There are two general classes of accelerators — the linear and the cyclotron, or synchrotron. The linear kind accelerates particles down a long, straight tube.

In a cyclotron or synchrotron, the particles move in a circular path inside a magnetic field.

For accelerating protons, nature's most abundant particle, to high energies, scientists say the synchrotron is best. The most powerful one in the world is the Tevatron, at the Fermi National Accelerator Laboratory near Chicago, known as Fermilab.

The Tevatron delivers 2 trillion electron volts. The supercollider, to be buried beneath the North Texas prairie in a 53-mile circular tunnel big enough to walk through, will also be a synchrotron. But at 40 trillion

*even reliving the first moment of creation*

electron volts, it will be 20 times more powerful than the Tevatron.

Accelerator technology is a matter of magnets. The supercollider will be composed of 9,600 magnets that become superconducting when they are cooled with liquid helium. This means they will conduct electricity with perfect efficiency and great power. Each magnet will be 55 feet long, and they will be laid end-to-end in refrigerated vacuum pipes curved into two rings around the machine's 53-mile circle.

The 50 miles of magnets in each ring will be augmented by three miles of connecting devices called "spool pieces," placed between about every five magnets in each ring.

Water will be the source of the protons for the supercollider. They will be drawn from ionized hydrogen. Two beams of protons rotating in opposite directions will be confined in the magnetic field created by the thousands of magnets. The protons will circle the two rings 200,000 times a minute.

When each beam reaches an energy of 20 trillion electron volts, technicians will open electromagnetic gates and the beams will be switched to a collision course. They will meet inside a detector, run by a supercomputer, at a combined energy of 40 trillion electron volts, giving scientists what they hope will be a glimpse of the balanced condition of nature at the beginning of the universe.

When accelerators first came into use in the 1930s, it was thought that the atom and its nucleus were composed only of protons and electrons. Then the neutron was discovered. By the end of the 1960s, hundreds of subatomic particles had been discovered in accelerator experiments.

Gradually, physicists began to believe this blizzard of complexity was hiding a deeper simplicity of nature. Experiments at Fermilab and in Europe led in the early 1970s to the Standard Model. It holds that all matter consists of two primary classes called quarks and leptons. But from there, it gets much more complicated.

Quarks come in six varieties: up, down, strange, charm, top and bottom. Leptons also come in six forms: electron, electron neutrino, muon, muon neutrino, tau and tau neutrino.

These particles, the model explains, interact with each other via four fundamental forces, each of which is transmitted by its own carrier particle called a "gauge boson."

The four forces and their gauge bosons are: the strong force and the gluon, the electromagnetic force and the photon, the weak force and its W and Z particles, and gravity and its gravitons.

The strong force is the source of energy for nuclear fission and fusion. The weak force causes radioactive materials to decay. The electromagnetic force is responsible for chemical reactions and electronics. The gravitational force, the weakest of the four, keeps things from drifting off the Earth's surface and maintains the motion of the planets in the solar system.

Although the forces have distinct personalities, physicists believe they are united by a common bond that was severed by the Big Bang. Finding a theory to describe this unity has been a scientific obsession for decades. The legendary physicist Albert Einstein spent 30 years on the problem without success.

So far, scientists have succeeded only in combining the electromagnetic and weak forces into an "electroweak" force. That was done in the 1960s by UT's Weinberg, Sheldon Glashow of Harvard University and Abdus Salam of Imperial College of London. After the theory was confirmed, they won the Nobel Prize.

But no experimental evidence has been found for the graviton, which is believed to transmit the force of gravity. The force itself has been explained by Weinberg and others by the theoretical existence of superstrings.

They are infinitesimally small, one-dimensional strings that vibrate like violin strings. If they exist, the theory goes, then the universe consists of strings of 10 dimensions, six of which are curled so tightly that only four dimensions are visible to us.

But neither superstrings nor gravity has a place in  
See Supercollider, D7

SONOS LIKE A TYPICAL  
COCKTAIL PARTY IN GTRURE

# Supercollider

From D1

the Standard Model.

This is the major reason the high-energy physics advisory panel of the U.S. Department of Energy recommended in 1983 to build the supercollider. Uniting the strong, electroweak and gravitational forces in what is called a Grand Unified Theory would be the machine's major task.

The giant accelerator the Reagan administration chose to build in Texas ironically had a Lone Star genesis. It was conceived in 1982 in a discussion between Robert Wilson and Leon Lederman, the directors of Fermilab, and Peter McIntyre of Texas A&M.

One of their arguments for the supercollider was that elegance and simplicity have been guiding principles of science since the Greeks, and the Standard Model is neither simple nor elegant.

As Lederman joked in a recent lecture at UT-Austin, any good scientific theory ought to be simple enough to be printed on a T-shirt. He said the Standard Model fails the test.

And, there, according to Weinberg, high-energy physics is stuck hard.

"Since the early 1970s," he told Congress in 1987, "the experimentalists have done a brilliant job of confirming the outlines of the Standard Model and filling in some of its holes. Our theories have be-

come more ingenious and sophisticated. But after more than a decade, we still have no clear and definite idea of anything beyond the Standard Model."

Physicists are convinced the supercollider can solve the problems of the Standard Model because of the machine's great power.

Gleeson said, "It turns out the size of the object you can look at is directly related to the energy you use. With higher energies we can look at smaller scales."

Accelerators, in essence, are microscopes.

Huson said, "With the Tevatron, we now can see things as small as 10 to the (power of) minus 17 centimeters. That is point-16-zeros-and-a-one centimeters. When we look at protons today with that Fermilab microscope, we see three fuzzy balls — three quarks — but we can't see within them or what is holding them together. So that's our limit of knowledge."

The supercollider will let scientists see 20 times better.

One of the biggest holes in the Standard Model, according to Weinberg, is that physicists are unsure of the mechanism by which the symmetry of nature's forces was broken. They think it involved some new kinds of forces and one or more species of theoretical particles called Higgs bosons.

Higgs bosons are named for the



**'Our theories have become more ingenious and sophisticated. But after more than a decade, we still have no clear and definite idea of anything beyond the Standard Model.'**

**— Steven Weinberg, UT physicist**

Scottish physicist Peter Higgs, who was one of the first to predict their existence. They are believed to explain how all the particles in the universe get their mass, which corresponds to weight in a gravitational field. The origin of mass is one of science's oldest mysteries.

Weinberg said the supercollider is designed so that if Higgs bosons exist, they will be found. The machine will be powerful enough to examine them in fine detail.

If the supercollider succeeds in demonstrating there is no Higgs boson, said McIntyre, that also would be valuable news.

tained in the bond energy of the strong force," McIntyre said. "If we were able to manipulate the bonds as an energy source, well, it's hard to put into perspective what that might mean. The supercollider will help us gain that knowledge."

Beyond its actual uses, scientists argue, just building the supercollider would give a giant push to American technology. And it would produce spinoffs for medicine, electric utilities, microelectronics, communications and defense.

According to Weinberg, the supercollider will require advances in magnet technology; vacuum technology for the magnet-containing pipes; supercomputers for the detectors to analyze the proton collisions; superconducting cable to carry the electric current to power the magnets; and even tunnel construction.

Huson said some supercollider spinoffs already are in sight from work on magnets to power the machine. He is director of the Texas Accelerator Center in Houston, a consortium of Texas A&M, UT-Austin, the University of Houston and Rice University. It was created in 1983 to help design the supercollider and also does basic research on accelerators and trains doctoral candidates in high-energy physics.

He said the center has identified several spinoff technologies from

development of the supercollider and related accelerators.

They include a magnet derived from work on superconducting magnets that could improve the resolution of Magnetic Resonance Imagers (MRI) used in hospitals by about three times and could also help shield the fringe magnetic fields, which limit the performance of MRIs. They can produce images of every organ in the body without surgery, radiation or chemicals.

For electric utilities, the accelerator center is trying to apply work on superconducting magnets to a system for storing electricity. According to McIntyre, industry believes utilities could save money with a coil of superconducting cable the size of a football stadium. The coil would store electricity generated overnight and deliver it to the power grid the next morning.

Though they don't always agree on the details, high-energy physicists in the United States unanimously hope the supercollider will be ready for use by about 1998. As McIntyre put it in a recent letter to *The New York Times*, which has editorialized against the machine as too costly:

"The supercollider is not a nicety that must be weighed on the scales of a precarious budget; it is an imperative for the vitality of American science and technology."

Furthermore offers a voice to readers on timely topics. Essays, typed and double-spaced, should be 2½ pages or shorter. Do not send a copy to other publications. P.O. Box 4747, Houston 77210-4747.

# Barton cracks super collider whip

**Texas quote of the week:** "While I'm parochial in that I'm very pleased Texas was selected (for the superconducting super collider) . . . I'm parochial not just for Texas but for the United States of America."  
— Rep. Ralph Hall, D-Rockwall

□ **Whip update** . . . Rep. Joe Barton, R-Ennis, probably won't replace Rep. Tom DeLay, R-Sugar Land, as GOP deputy whip after all, but he will play a role in new whip Newt Gingrich's organization. Georgian Gingrich had said Barton could have the job — held by DeLay under former whip Dick Cheney — if he wanted it. The job would have been a reward for the work Barton did for Gingrich in the race for whip against Illinois Rep. Edward Madigan, whom DeLay supported. Barton says being deputy whip would take too much time from his other duties, especially defending the super collider as the first-year construction funding request weaves its way through Congress. He might take another leadership position, such as regional whip, keeping tabs on lawmakers from Texas and surrounding states.

□ **With friends like this** . . . In talking about the prospects for getting the money from Congress this year to begin construction of the super collider, Hall was talking to reporters about what the state has going for it. In addition to having the president and the speaker of the House, Hall said, "we've got the two best senators in the United States." We are willing to wager that those are words you aren't likely to see in any of the campaign literature of State



## Washington

Sen. Hugh Parmer, D-Fort Worth, who hopes to be Texas Republican Sen. Phil Gramm's general election opponent next year.

□ **Getting it right I** . . . If a hearing by the House Science, Space and Technology Committee this week to review the site-selection process for the super collider accomplished nothing else, at least it educated the panel's chairman on one crucial matter about the North Texas site some 30 miles from the Metroplex area. At one point in the proceedings, Chairman Robert Roe, D-N.J., blurted out in all seriousness: "Well, let me ask one thing, is that area inhabited? Are there any cities around there?" Through the laughter that broke out, one of Roe's colleagues could be heard telling him, "Yes, Dallas and Fort Worth."

□ **Getting it right II** . . . Texas Democratic Sen. Lloyd Bentsen, at a press conference this week, was discussing his recent trip to Europe and started saying that he had had "an hour-long dialogue" with Prime Minister Margaret Thatcher. But Bentsen caught himself and said, "I started to say I had an hour-long dialogue

with Mrs. Thatcher, but that's not quite true. I listened a lot, and then I had a dialogue."

□ **Insurance policy** . . . Bush didn't need any cover for the Baltimore Orioles' opening game when he pitched the first ball this week, but it has not always been so. He tells how during the campaign he was to do the honors at the all-star game and how he knew he'd get booed. "This is suicide, man. What are you doing out there?" he recalled asking himself. He now tells how he co-opted two Little Leaguers — a boy and girl — who were supposed to walk out before he did. "So I got with them and asked, 'You guys nervous? Well, why don't we all walk out together?'" Bush reports there wasn't a boo in the house.

□ **The A list** . . . Gov. and Mrs. Bill Clements were among the Texans on President and Mrs. Bush's invitation list for Thursday's dinner honoring Israeli Prime Minister Yitzhak Shamir. Other Texans: Shuttle Discovery commander Michael Coats and Mrs. Coats, George W. and Laura Bush of Dallas, Mr. and Mrs. William Munn of Midland, Secretary of State and Mrs. James Baker and Secretary of Commerce and Mrs. Robert Mosbacher. Texans at the dinner earlier in the week honoring Egyptian President Hosni Mubarak: June Scobee, widow of Challenger pilot Dick Scobee, Mr. and Mrs. Dee Kelly of Fort Worth, Mr. and Mrs. Fitz-Alan Korth (she is the former Texan who was co-chair of the Bush inaugural), and the Bakers.

Compiled by The Post's  
Washington Bureau

## Good sign for collider

**I**N THE CASE OF THE PROPOSED superconducting super collider to be built in Texas, it's not over till it's under — underground, that is. Authorizing its construction is one thing; funding it is quite another. So it is encouraging that on Thursday the U.S. House Appropriations subcommittee approved \$160 million for the North Texas atom smasher.

Still, supporters of the high-tech project can't afford to take their eyes off the budgeting process for an instant. A subcommittee's OK is a far cry from final authorization, and the collider's foes are many and real. Some are Congress members with honest concern about the nation's budget deficit; others are sour-grapes enemies whose own states didn't get this massive research plum.

And as Rep. Lamar Smith, R-San Antonio, told a Houston Post reporter, "I don't feel we have the votes" in the full Appropriations Committee yet. But Texas backers are laboring for it nonstop, and the numbers probably will be in place when the committee votes next week.

Thursday's subcommittee action was the first solid evidence of super collider support outside Texas — a tangible relief to state legislators nervous about spending millions of state tax dollars on the collider amid doubts over federal funding. And beyond argument, numerous reports have been circulating in recent weeks that Congress might simply balk.

That's a scary prospect, and not merely because the mammoth research facility is economically good for Texas. The super collider bids fair to provide technical and medical benefits to the human race that can now only be dimly imagined. It is farsighted public policy at its best — but in politics, farsightedness sometimes doesn't garner many votes.

The Post urges perseverance on the part of lawmakers trying to push this worthy project forward. If they are successful, history will judge them kindly.

# Super collider clears critical House hurdle

## Construction funds advance to committee

By Juan R. Palome  
POST WASHINGTON BUREAU

WASHINGTON — The super collider passed its first legislative test Thursday when a House subcommittee gave its stamp of approval to the \$5.9 billion project.

The House Science, Space and Technology Committee's subcommittee on energy research and development gave unanimous approval to a \$3.2 billion bill that authorizes the Department of Energy's fiscal 1990 activities.

Included in the authorization is \$250 million requested by the Bush administration, of which \$160 million is earmarked for construction of the 53-mile-round atom smasher near Waxahachie.

That was the good news.

Still unknown is whether the super collider project will suffer the same fate as other DOE projects. The subcommittee voted an across-the-board 3.4 percent cut from the amounts requested by the administration for most of the agency's activities.

The administration asked for \$3.3 billion for DOE — 4 percent more than last year's \$2.9 billion budget — but the subcommittee sliced it to \$3.2 billion.

The full committee could change the subcommittee's action, or approve it unchanged.

"We made deep cuts in everything else to fund the super collider," said Rep. Harris Fawell, R-Ill., who added that if funds are not restored to members' pet projects, those members might go after the super collider when the full com-

Please see COLLIDER, A-19

## Congress takes on oil mess

By Kathy Kiely  
POST WASHINGTON BUREAU

WASHINGTON — If there was any doubt as to the political fallout of last month's massive oil spill in Alaska, it was dispelled Thursday as Congress opened its investigation into what one Bush administration official blasted as the energy industry's "totally inadequate" response.

At two separate hearings before House and Senate com-

- Tanker captain freed after bail lowered/A-20
- Drug testing on oil vessels sought/B-1

mittees, criticism rained down in torrents, much of it coming from politicians who normally would be energy industry allies.

"We've been betrayed," Alaska Lt. Gov. Steve McAlpine said.

Chief targets of the complaints were the Exxon Corp., whose tanker Exxon Valdez created the 10 million gallon spill by running aground under circumstances that witnesses termed "unbelievable" and "inexplicable," and the Alyeska Pipeline Service Company, an industry consortium

Please see SPILL, A-20

## COLLIDER:

### Funding bill clears hurdle in House

From A-1

mittee votes on the bill.

Even if the budget request survives the full Science, Space and Technology Committee, its supporters still can't relax.

An authorization bill merely tells an agency what programs it can spend money on, and even though it says how much money can be spent it is up to the Appropriations Committee to provide the money after the budget committee sets out a spending plan.

Neither of these committees has acted yet.

"The real danger point is the Appropriations Committee," said subcommittee member Lamar Smith, R-San Antonio. "I don't feel we have the votes there yet."

Smith added, however, that the Texas supporters of the super collider are working around the clock to round up the needed support.

Rep. Joe Barton, an Ennis Republican whose district includes the construction site, said Thursday's vote "gives us good momentum for the next stage" and predicted approval by the full committee next week.

"I feel ... vindicated," Barton said. "I have said every time asked

**“** The real danger point is the Appropriations Committee. I don't feel we have the votes. . . . ”

Rep. Lamar Smith,  
R-San Antonio

that I felt we were in good shape in the authorization process and that proved to be the case. . . . This is the first manifestation of support for the project outside the state of Texas."

But Rep. Howard Wolpe, D-Mich., issued a statement saying he and Rep. Paul B. Henry, R-Mich., had reservations about the site selection process and the magnitude of the project.

"We are simply trying to focus members' attention on the procedural questions and on the broader policy question of the impact on the budget," Wolpe said.

In their joint statement, the Michigan congressmen said they believe "that the magnitude of contemplated national expenditure, combined with unresolved questions of procedure and substance on the site selection process, demands further review before recommending authorization for continued work on the project."



AP photo  
Texas Gov. Bill Clements talks with reporters outside White House Friday after meeting with President Bush.

# Clements says Bush optimistic on collider

By Juan R. Palomo

POST WASHINGTON BUREAU

WASHINGTON — Texas Gov. Bill Clements said Friday he is confident Congress will support funding for the super collider project, but indicated lawmakers will trim the amount of money designated for the science project.

Following a 15-minute session with President Bush, Clements said he is optimistic about the funding but "at what level, I'm not quite sure."

The administration is asking for \$250 million for fiscal 1990 for the \$5.9 billion atom-smasher scheduled to be built near Waxahachie.

The governor said Bush reiterated his support for it.

"He strongly supports it and he will help in any way he can," he said. "Not as Texan, but as a national issue."

Asked if Bush was as optimistic as he is, Clements replied, "Well, I'm known to be an optimistic person . . . and President Bush is of the same demeanor."

Texans, he added, "have to be optimistic."

The governor, who also met with Defense Secretary Dick Cheney during his two-day visit here, said while he welcomes foreign participation in the super collider project, "I want to be sure that we understand what the national security implications are, if any."

Asked to elaborate on his concerns over national security, Clements replied, "if I knew I wouldn't be investigating."

He predicted the establishment of a task force on the matter.

Rep. John Bryant, a Dallas Democrat who opposes foreign participation in the superconducting super collider, said he welcomed Clements "to the battle."

"I think it's only common sense that we ought to question a proposed arrangement in which we pay all the costs and Japan gets as much benefit as we do," Bryant said.

"It's costing \$5.9 billion and they're negotiating with Japan on an in-kind contribution of \$400 million. "It's peanuts compared to the overall cost of it," he added.

If the anticipated spinoffs make the project worth spending billions to build, "surely it would be nonsense to give all the benefits away in return for a tiny contribution from Japan," Bryant said.

Texas Republican Sen. Phil Gramm said he is still committed to cost-sharing arrangements with foreign governments, but added the review proposed by Clements is "prudent."

Gramm's Democratic counterpart, Sen. Lloyd Bentsen, said Clements has a "good point. We ought to resolve this question."

The governor said he and Bush also discussed the effects of the Alaskan oil spill "in regard to its influence on the price of oil and the fact that it does seem to be having some importance."

He said he doesn't think the spill will affect the Texas economy over the long term, but that the higher oil prices resulting from a drop in Alaska shipments because of the Exxon Valdez spill may help the state temporarily.

# TEXAS LAWMAKERS' WAY OF SUPER COLLIDER SPENDING

SAN ANTONIO EXPRESS

AUSTIN — Texas lawmakers are growing nervous about spending millions of state tax dollars on the Super Collider while support in Congress for the atom smasher falters.

Lawmakers say if they don't provide national agencies created in 1985 to lobby for and oversee the building of the project.

The committee asked the Legislature this year for another \$15 million to help paying the year's expenses and nearly \$4 million for the next two years.

Committee Chairman Tom Luce, a Dallas attorney, said if Congress decides not to fund the Super Collider.

Legislation in a referendum to cut the state's Super Collider budget out of four such a move would endanger state leaders' lobbying efforts in Washington.

"We're spending money for something that won't be there."

So far, the state has spent about \$15 million on the project, most of which funded the Texas Research Laboratory Commission, the Texas agency created in 1985 to lobby for and oversee the building of the project.

The committee asked the Legislature this year for another \$15 million to help paying the year's expenses and nearly \$4 million for the next two years.

Committee Chairman Tom Luce, a Dallas attorney, said if Congress decides not to fund the Super Collider.

"We're not going to put millions of dollars into something if it is not going to go forward," Luce said. "But I am optimistic it is going for."

Under Texas law, the commission could be disbanded on 30 days notice if Congress abandons plans to build the Super Collider, a 27-state underground tunnel shaped like a race track that will be used to study the high speed collision of particles. Wristwatch, which is 20 miles north of Dallas, has been chosen as the site for the Super Collider.

Congress is building at President Bush's request that the Super Collider receive \$250 million.

has in 1988. Members of Congress, many of whom are not happy the project was not expanded in their states, say they are not convinced the project is worth the expense.

But, state dollars are being used to attract only expand the commission and only last year had a staff of seven people and was working out of an office on the University of Texas at Austin campus.

The commission's expenses were less than \$1 million in 1987 to 26 members this year. It has moved to new office space in Dallas that has proved increasingly useful from \$750,000 to \$2.5 million.

# Collider funds hit Catch-22

State lawmakers wary  
of sending wrong signal

By Bennett Roth

TIMES HERALD AUSTIN BUREAU

AUSTIN — With support for the superconducting super collider faltering in Congress, key Texas lawmakers are growing nervous about continuing to spend millions of state tax dollars on a billion-dollar project that might die for lack of federal funding.

Lawmakers say they are caught in a Catch-22 situation, fearing that if they don't provide millions of dollars for salaries, engineering and consultants for the Waxahachie endeavor they will guarantee the death of a project many had hoped would be the cornerstone of the state's economic revival.

"We're spending money for something that is somewhat unknown," said state Rep. Jim Rudd, D-Brownfield, chairman of the budget-writing House Appropriations Committee that is reviewing super collider funding.

Yet, there is reluctance to cut the state's super collider budget out of fear that such a move would undermine the state leaders' lobbying efforts in Washington.

Gov. Bill Clements, who with a corps of other high-powered Texans has worked closely with U.S. Sens. Lloyd Bentsen and Phil Gramm, has made the super collider a top priority.

"Nobody wants to embarrass the governor. Nobody wants to embarrass the leaders," said Rudd. "We don't want officials from other states to say, 'Well, they are not doing anything in Texas; let's not fund them.'"

So far, the state has spent about \$4.3 million on the project, most of which funded the National Research Laboratory Commission, the Texas agency creat-

Please see COLLIDER, A-21

# COLLIDER

From B-1

concern among state lawmakers about the project, particularly after he has explained the project in their.

Meanwhile, Congress is backing at President Bush's request that the super collider project receive \$250 million in 1980. Members of Congress, many of whom were unhappy that the project was not located in their states, say they are not convinced the project is worth the expense, particularly during tight budget times.

Even Gramm, a staunch supporter of the project, warned recently that there are too few votes in the Senate to approve the project. Luce said if Congress de-

wants to fund the super collider, the state will have to make a major effort. "We're not going to pour millions of dollars into something if it is not going to go forward," Luce said. "But I am optimistic it is going forward."

Under state law, the commission could be disbanded on 30 days' notice if Congress abandons plans to build the super collider, a 53-mile underground tunnel shaped like a race track that will be used to study the high-speed collision of protons. Scientists say the super collider will help them better understand the fundamentals of energy and matter.

Last fall, after an interim commission, the U.S. Department of Energy chose the Wakahatchee site in Ellis County. Luce said he has not seen any numbers this year. It has moved more than tripling its staff to 24

The commission plans to spend nearly \$180,000 this year on travel alone, including frequent trips to Washington and Mansion. If he wanted to be sure the [Government] would rate \$1 million for the super collider.

"Committee raised \$2 million to the site required by the U.S. Department of Energy. They agree the state must pay top salaries to lure experts to run the agency. Hanger, who is paid almost \$20,000 more than the government, was deputy director of the Bureau of Economic Geology at the University of Texas.

Ken Welch, the commission's associate director for administration, has submitted the heavy budgeting effort in Washington has contributed to a high level had. He also said that while the commission is increasing its staff, it has been cutting back on consultants. "We want people who answer directly to the commission and don't have interests elsewhere."

Commission staff defend the increased spending, saying the funds are needed to prepare the complicated environmental and

State Sen. John Lueddem, R-Dallas, said he was opposed to spending state taxpayer dollars on the super collider, arguing the state has many more urgent needs to meet such as aid to the mentally retarded. "There are needs of the state and there are wants. And I put the super collider in the wants."

Lueddem said, adding that funding for the commission should come from businesses that would benefit from it being located in Texas. He suggested that Texas

officials such as Clements lead private fund-raising drives for rent from \$7,000 to \$90,000. The commission plans to rent from \$7,000 to \$90,000.

State Sen. Kent Caperton, D-Texas, chairman of the Senate Finance Committee, said if the federal government fails to come up with the funding, the state will have all funding.

"We are not going to do our part until we see some good faith effort on the part of the federal government," said Caperton. Commission staff defend the increased spending, saying the funds are needed to prepare the complicated environmental and

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APR 03 1989

HOUSTON POST

LOCAL & STATE

# Lagging support concerns super collider's Texas fans

ASSOCIATED PRESS

AUSTIN — Texas lawmakers are growing nervous about spending millions of state tax dollars on the super collider while support in Congress for the atom smasher falters.

Lawmakers say if they don't provide millions of dollars for salaries, engineering, and consultants for the Wakahachie endeavor they will guarantee the death of the project.

Yet, there is a reluctance to cut the state's super collider budget out of fear such a move would undermine state leaders' lobbying efforts in Washington.

"We're spending money for something that is somewhat unknown," said state Rep. Jim Rudd, D-Brownfield, chairman of the budget-writing House Appropriations Committee.

So far, the state has spent about \$4.3 million on the project, most of which funded the National Research Laboratory Commission, the Texas agency created in 1985 to lobby for and oversee the building of the project.

The commission asked the Legislature this year for another \$1.6 million to finish paying this year's expenses and nearly \$4 million for the next two years.

Commission Chairman Tom Luce, a Dallas attorney, said if Congress decides not to fund the super collider the state will halt its efforts.

"We're not going to pour millions of dollars into something if it is not going to go forward," said Luce. "But I am optimistic it is going forward."

Under Texas law, the commis-

sion could be disbanded on 30 'days' notice if Congress abandons plans to build the super collider, a 53-mile underground tunnel shaped like a race track that will be used to study the high-speed collision of protons.

Congress is balking at President Bush's request that the super collider receive \$250 million in 1990. Members of Congress, many of whom are not happy the project was not located in their states, say they are not convinced the project is worth the expense.

Still, state dollars are being used to sharply expand the commission that only last year had a staff of seven people and was working out of an office on the University of Texas-Austin campus.

The commission envisions more than tripling its staff to 24 members this year.

WILLIAM P. CLEMENTS, JR.  
GOVERNOR



HENRY M. GANDY  
DIRECTOR

THE STATE OF TEXAS  
OFFICE OF STATE-FEDERAL RELATIONS

NOTE TO SPEECHWRITERS

SUBJECT: SSC

The Texas State Legislature approved the bonds for the Texas offer to the Federal government of \$1 billion in State funds to help defray the Federal cost of the SSC. This took place in 1987, even before Texas was selected as the site. The bonds were subsequently approved by the voters in November, 1987.

Several recent articles have appeared in Texas papers expressing doubts about the funding of the Supercollider in Congress. As a result, many in the Legislature are questioning whether the State should commit any of its funds.

It would be extremely helpful to the Governor if the President would reiterate his strong support for the SSC and acknowledge the key role played by the State Legislature in approving State funds to help fund the project.

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*Texas Taxpayer*

# *Bill of Rights*

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*Continued on reverse side*

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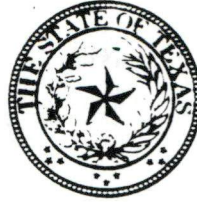
or in the Austin area: 463-4600,  
or write to:

Bob Bullock, State Comptroller  
Capitol Station  
Austin, Texas 78774-0100



**Bob Bullock**  
**Texas Comptroller**  
**of Public Accounts**

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## THE STATE OF TEXAS OFFICE OF STATE-FEDERAL RELATIONS

WASHINGTON ACTION ITEMS.....April 14, 1989

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### AGRICULTURE ITEMS

--- FRAMEWORK AGREEMENT ON AGRICULTURE REACHED IN GATT...Agreements reached on April 8th between representatives of 105 countries signalled the end of the "mid-term review" of the Uruguay Round of talks on the General Agreement on Tariffs and Trade (GATT), and determined the parameters of debate for the final 20 months of negotiations on the liberalization of world trade. In agriculture, which has been probably the most contentious area of debate, a framework agreement was finally adopted which satisfied both the United States and the European Community.

The agreement on agriculture is divided into short-term commitments and long-term goals. The short-term commitment calls for all member countries to hold trade-distorting subsidies and import barriers at or below current levels through 1990, when the negotiations are scheduled to end. Developing countries, which have not utilized export subsidies to the extent others have, are exempted from this short-term commitment. The long-term objective of the negotiations as agreed to by all parties is "to provide for substantial progressive reductions in agricultural support and protection sustained over an agreed period of time, resulting in correcting and preventing restrictions and distortions in world agricultural markets". This wording is obviously subject to varying interpretations as has already been demonstrated by comments from the top negotiators from the U.S. and EC.

The main sticking point on agriculture in the GATT thus far has been the EC's unwillingness to agree to the U.S. proposal to phase-out all trade-distorting subsidies and import barriers by a set date. U.S. Trade Representative Carla Hills told a House Subcommittee that the "substantial progressive reductions" called for in the agreement would logically lead to

zero, and that the new phrasing was simply a more diplomatic way of expressing the U.S. position. The EC's chief negotiator, however, said at a press conference after the meeting that "elimination of subsidies has always been unrealistic and unacceptable. Now the word elimination is gone for good and that's that."

The agreement also requires countries to announce by October, 1989, any short-term steps they will take to lower subsidies and barriers. By December, 1989, countries are to put forth their detailed proposals for the achievement of the long-term reforms. Additionally, GATT members agreed to work toward internationally accepted standards on sanitary measures, and that health-related border measures should be consistent with sound scientific evidence. This could have implications for the dispute with the EC over beef hormones, as all scientific evidence indicates that the EC is unjustified in banning imports of beef produced with the aid of growth hormones. In the area of textiles, the GATT members agreed to incorporate the Multi-Fiber Arrangement (MFA) into the GATT, but made no specific commitments on timing or implementation of this objective.

--- FIRST HEARING ON 1990 FARM BILL SCHEDULED IN SENATE...The Senate Agriculture Committee on April 19th will kick-off debate on the direction of U.S. farm policy after the expiration of the Food Security Act of 1985 (1985 Farm Bill). The full Committee will hear testimony from Secretary of Agriculture Clayton Yeutter, and will review programs established under the 1985 Farm Bill. While Yeutter and some Members have urged that Congress not re-write the 1985 Farm Bill until after the completion of the GATT negotiations, Congressional leaders have indicated that they plan to proceed with hearings this year and markup next year.

--- GAO REPORT FINDS 1985 FARM BILL A SUCCESS...In a report issued to Congress on April 7th, the General Accounting Office said that the 1985 Farm Bill, along with other factors, has contributed to an improvement in the general farm economy. This improvement can be measured through reduced surplus stocks, increased volume and value of agricultural exports, reduced farm debt, and a steady rise in farmers' net cash income since 1985. On the downside, the report found that government costs had increased, with CCC net outlays for the first three years of the Farm Bill at \$49 million, compared to \$44 million for the last three years of the 1981 Farm Bill. Also, the GAO said that it is uncertain how much progress can be attributed to the legislation as opposed to other important factors, such as changes in currency exchange rates and the 1988 drought.

--- USDA CALLS FOR CHANGES IN COTTON PROGRAM...Secretary of Agriculture Clayton Yeutter announced April 5th that the USDA will soon propose changes in the upland cotton program to make American cotton more competitive internationally. The proposals, which will be printed in the Federal Register, include: a change in the current formula for determining average world price (AWP) to consider price quotations in designated U.S. spot markets, as well as the level of exports from the U.S.; and, a requirement of payment, in advance, of interest and storage charges on outstanding loans during the 8-month loan extension period.

--- HOUSE PANEL REVIEWS MEAT INSPECTION PROPOSAL...An April 11th hearing of the House Committee on Government Operations' Subcommittee on Human

Resources and Intergovernmental Relations heard critical testimony on the USDA plan to implement an Improved Processing Inspection System. The USDA proposal is designed to implement the Processed Products Inspection Improvement Act, passed by Congress in 1986. USDA's proposed regulations have, however, run into opposition since their publication. The basic thrust of the new law is to incorporate new technology into meat inspection and allow the most efficient allocation of inspection resources by allowing less-than-continuous inspection at those processing facilities with exemplary safety records. A coalition of labor and consumer organizations, many of whom opposed the legislation, have called upon USDA to withdraw their proposed regulations. Significantly, the American Meat Institute, a supporter of the legislation, has also called for the withdrawal and rewriting of the regulations.

USDA announced April 4th that they will hold public hearings this summer on developing its new inspection system.

--- USDA REPORT DETAILS FOREIGN OWNERSHIP OF FARMLAND...An April 6th report by the U.S. Department of Agriculture revealed that slightly less than one percent, or about 12.5 million acres, of U.S. farmland is owned by foreign interests. This represents an increase of 99,100 acres from the previous year. The Agricultural Foreign Investment Disclosure Act of 1978 requires foreign interests to report this information to USDA. A USDA analysis of this information revealed: 48 percent of the foreign-owned land is in forests, corporations own 80 percent of the acreage, and only 40 percent of the acreage is held by foreign interests not affiliated with a U.S. corporation. In Texas, 1,029,885 acres are held by foreign owners, second to Maine with 1,799,794 acres.

--- TASK FORCE ON EC HORMONE BAN FACES MAY 5TH DEADLINE...The joint U.S. - European Community Task Force appointed to seek a solution to the trade dispute over the EC ban on beef produced with growth hormones has continued meeting, but has not made significant progress towards a solution. The 75 days allotted to the Task Force to come up with a solution expires on May 5th, and it is not known whether the deadline will be extended if there is no solution, or if other actions will be taken.

For more information, contact Glen Hodges  
Agriculture Coordinator

#### BANKING ITEMS

--- MARKUP OF BUSH THRIFT BILL COMPLETED IN HOUSE SUBCOMMITTEE, SENATE COMMITTEE...On April 13th, the Financial Institutions Subcommittee of the House Banking Committee completed consideration of President Bush's thrift rescue plan, H.R. 1278, giving final approval to a substantially revised version of the bill. Further deliberation in the House will continue on April 25th or 26th, as the full Banking Committee begins marking up the bill. Action on the House floor is expected in early May. On April 12th, the Senate Banking Committee also approved a version of the bill. Senate floor action is targeted for April 17th.

During several days of deliberations, the House Banking Committee's Financial Institutions Subcommittee made several significant changes to the bill presented by the Administration. The Subcommittee began markup of the bill on

April 6th, approving amendments which would transfer federal regulatory authority over state chartered thrifts from the Federal Home Loan Bank System to the Federal Deposit Insurance Corporation (FDIC) and which would authorize the implementation of risk-based deposit insurance premiums, among others. Major amendments approved by the Subcommittee this week include:

- o an amendment offered by Subcommittee Chairman Frank Annunzio (D-IL) and Rep. Stan Parris (R-VA) which substantially weakened the thrift capital requirements contained in the Bush bill. The Annunzio-Parris amendment would require thrifts to maintain a 3 percent "core" capital level, as defined by the Office of the Comptroller of the Currency, by June 1990. However, only 1.5 percent of this capital would have to be equity capital. The remainder could consist of supervisory goodwill and purchased mortgage servicing rights. The Bush proposal would have required thrifts to meet the same capital standards as commercial banks (currently 6 percent) by June 1, 1991. The controversial amendment was approved by a vote of 24-23. Subsequent to the approval of the amendment, the Administration indicated that it would veto a bill with the lower capital standards.
- o an Annunzio amendment which would raise the qualified thrift lender, or QTL, standard from 60 percent of assets to 80 percent of assets, while broadening the scope of the assets which could be used to meet the standard. The QTL standard, approved in the Competitive Equality Banking Act of 1987, must be met by any thrift which is a member of the Federal Home Loan Bank System. Current law requires that 60 percent of thrift assets be held in mortgages or mortgage-related instruments. The Annunzio proposal would allow the inclusion of assets such as multi-family housing mortgages, property used by a thrift for its business, liquid assets, consumer loans, and others in the new 80 percent standard.
- o amendments, further altering thrift capital standards, which would permit federally chartered thrifts to include the capital of, loans to, and investments in thrift subsidiaries in core capital, provided certain conditions are met.
- o an amendment which would allow bank holding companies to acquire healthy thrifts immediately upon passage of the bill. The Bush bill would impose a two-year waiting period.
- o an amendment which removed a provision in the Bush bill which would have placed a limit on thrift lending to within a 100-mile radius of the institution.

The Senate Banking Committee used as its markup vehicle a committee print written by committee members in closed-door meetings prior to the markup. The committee print, described by Treasury Secretary Nicholas Brady as "on balance, meritorious," included a proposal backed by Committee Chairman Don Riegle (D-MI) which would have placed the financing mechanism for FSLIC case resolutions on budget. During the markup, the Committee voted 11-10 to retain the Administration's off-budget financing approach. In other key changes to the committee print, the Committee approved amendments which would:

- o equalize bank and thrift deposit insurance premiums at 15 basis points by 1998,
- o permit thrifts to write-off goodwill, both voluntary and supervisory, over 25 years as opposed to the 10 years in the Bush plan,
- o prohibit thrifts from counting any goodwill acquired after April 12, 1989 as capital,
- o separate the regulatory and credit functions of the present thrift regulatory apparatus, placing a new Office of Savings Associations under the Treasury Department to take the place of the Federal Home Loan Bank Board (FHLBB) and leaving the credit functions of the FHLBB outside the Treasury's purview, and
- o require the Resolution Trust Corporation (RTC), which is charged with the disposition of assets of failed thrifts, to issue semiannual reports on the book value of assets it holds and related issues. This amendment was offered by Sen. Phil Gramm (R-TX). Two other Gramm amendments would require the RTC to take local real estate market conditions into account in disposing of assets and to set up regional advisory boards to aid the RTC with its duties.

The Committee is also expected to offer committee amendments to the bill when it reaches the floor, dealing with, among other things, offenses which would be covered by the Racketeer Influenced and Corrupt Organizations Act (RICO).

For more information, contact Carter Breed  
Economic Development Coordinator

BUDGET ITEM

--- BUDGET ACCORD REACHED BY ADMINISTRATION, CONGRESS... On April 14th, Administration officials and congressional leaders announced that they had reached a tentative budget agreement for fiscal year 1990. The agreement, anticipating significantly increased receipts, augmented by \$8.4 billion in new revenues resulting from tax law changes, would result in a budget deficit of \$99.4 billion, \$600 million below the deficit target specified in the Gramm-Rudman-Hollings Deficit Reduction Act.

The budget blueprint lays out broad spending levels and guidelines to be followed by Congress and the Administration in the authorization and appropriations process later this summer. Agreed upon spending levels for the three discretionary appropriations categories are as follows:

<u>CATEGORY</u>	<u>BUDGET AUTHORITY</u>	<u>OUTLAYS</u>
Domestic	\$157.5 billion	\$181.3 billion
Defense	305.5	299.2
International Affairs	19.0	17.0

For more information, contact Carter Breed  
Economic Development Coordinator

## DRUG ITEM

--- SENATE COMMITTEE VOTES FULL MEXICO AID...On April 13th, the Senate Foreign Relations Committee defeated legislation, S.J. Res. 82, that would cut off half of U.S. economic and military aid to Mexico because it is not "fully cooperating" in drug control efforts. Despite the Committee action, the measure will move to the Senate floor for consideration as required by law.

Current law requires the President to certify that drug-producing countries are cooperating with U.S. programs to control drugs. If approved by the full Senate, S.J. Res. 82 would overturn the President's positive certification of Mexico.

For more information, contact Mark Schnabel  
Energy and Natural Resources Coordinator

## EDUCATION ITEM

--- HOUSE SUBCOMMITTEE REPORTS VOCATIONAL EDUCATION REAUTHORIZATION...On April 12th, the House Subcommittee on Elementary, Secondary and Vocational Education reported legislation reauthorizing the Carl D. Perkins Vocational Education Act.

The bill reported by the Subcommittee incorporates the "Tech-Prep" program introduced earlier this year in a separate bill. This program would encourage secondary and postsecondary schools to form pacts that would help lead students from 11th grade to an associate's degree. The Subcommittee set aside \$200 million for the "Tech-Prep" program.

Also included in the Subcommittee's bill is a requirement that each state form a human resources council to administer funding under the Perkins Act, the Job Training Partnership Act (JTPA), the Adult Education Act and the Rehabilitation Act. At the federal level, the Secretaries of the Education, Labor, and Health and Human Services Departments would coordinate the programs. States would also be required to begin a two-year process of building performance measures with internal studies in FY 91 and 92 measuring coordination, counseling, access and competency factors.

The Subcommittee made substantive changes in the composition of the distribution formula. Of the 80 percent of total funding for basic state grants to local education agencies, funds would be distributed in the following manner: 70 percent of the funding would be based on Chapter 1 enrollment, 20 percent on handicapped enrollment and 10 percent on K-12 enrollment. Twenty percent of the available vocational education funds would still go to states, but specific requirements are placed on states' use of the money. Of the 20 percent allocated to states, 5 percent must be used for program administration, 5 percent for discretionary programs and 10 percent for displaced homemaker and sex equity programs.

Those Members supporting the formula change claim that vocational education resources will be targeted toward inner city schools where the most economically disadvantaged students can be reached. A state allocation analysis will be prepared before the full committee considers the measure.

Full committee markup is expected around April 25th, with House Floor action shortly thereafter. The Senate is scheduled to begin vocational education hearings in September.

For more information, contact Lori Bounds  
Human Resources Coordinator

#### ENERGY ITEMS

--- DOE STUDY SAYS TEXAS POSSIBLE CHOICE FOR EXPANDED STRATEGIC PETROLEUM RESERVE...A new Department of Energy report has concluded that the Gulf of Mexico coast appears to be the best location for additional Strategic Petroleum Reserve (SPR) storage if a decision is made to expand the SPR.

Texas sites mentioned as candidates included the expansion of the current Big Hill site near Beaumont, Clemens in Brazoria County and Gyp Hill in Brooks County.

Lawmakers are currently deliberating the idea of increasing the SPR from 750 million barrels to 1 billion barrels.

--- NATURAL GAS DECONTROL BILL PASSES HOUSE COMMITTEE...On April 11th, the House Energy and Commerce Committee approved, by voice vote, H.R. 1722, a bill that would completely decontrol natural gas prices by 1993.

H.R. 1722 represents a compromise between producers, who favor immediate decontrol, and pipeline companies, who prefer a five-year phase-out of price controls.

The legislation would remove the last of federal controls on the price companies pay for gas at the wellhead. Most wellhead gas has already been decontrolled, but price restrictions remain on gas wells that were producing before 1978.

For more information, contact Mark Schnabel  
Energy and Natural Resources Coordinator

#### ENVIRONMENTAL ITEMS

--- ADMINISTRATION PLANNING "PIECEMEAL" APPROACH ON CLEAN AIR BILL...Reports from the White House this week indicate that the Administration may propose clean air legislation this spring and summer.

The Administration is planning three different proposals dealing with ozone/carbon monoxide non-attainment, air toxics and acid rain.

Support for the "piecemeal" approach stems primarily from Congressional sponsors of clean air bills who are anxiously awaiting Administration proposals prior to continuing work on the legislation.

--- EPA RELEASES TOXIC INVENTORY DATA...On April 11th, the Environmental Protection Agency announced the results of an inventory of chemicals released to the nation's water, air and land. The chemical data was collected under the Emergency Planning and Community Right-to-Know-Act.

Under the Emergency Planning and Community Right-to-Know Act, manufacturing facilities with 10 or more employees that produced, processed or used certain amounts of any of more than 300 toxic chemicals were required to report their annual releases of those chemicals to EPA and to the states by July 1, 1988.

Texas did not fare well in the inventory, ranking first in air and land releases, third in water releases and second in underground injection and off-site transfer releases.

EPA will be studying the data in the coming months for possible legislative or regulatory action.

For more information, contact Mark Schnabel  
Energy and Natural Resources Coordinator

#### HUMAN RESOURCES ITEMS

--- PARENTAL LEAVE LEGISLATION MOVES TOWARD HOUSE FLOOR...On April 12th, the House Post Office and Civil Service Committee approved the federal employee provisions of the parental leave legislation, H.R. 770.

The bill requires employers (including states) to give workers unpaid leave to care for children and sick parents. Firms with 50 or more workers would be required to grant up to 10 weeks of job-protected leave over two years to employees to care for a newborn or seriously ill child or an ailing parent. Workers with a serious illness of their own could take off as much as 15 weeks a year. Federal workers are provided more generous leave: 18 weeks every two years for parental leave and 26 weeks every year for sick leave.

State cost estimates for H.R. 770 are not yet available.

--- LEGISLATION AUTHORIZING REGIONAL TRAUMA CENTERS REPORTED BY SUBCOMMITTEE...Legislation (H.R. 1602) designed to expand the availability of trauma care was approved April 12th on a voice vote by the House Energy and Commerce Subcommittee on Health.

The bill, which is opposed by the Administration, is designed to address the problem of adequate trauma care. Trauma centers, created to provide immediate help to people with life-threatening or potentially disabling injuries, are especially scarce in rural areas of the country. H.R. 1602 authorizes \$45 million in FY 90 and additional sums in FY 91-92 to help states set up and run regional trauma centers.

--- WELFARE REFORM REGULATIONS TO UNDERGO OMB REVIEW...The Department of Health and Human Services (HHS) will forward for review by the Office of Management and Budget (OMB) proposed regulations implementing the Job Opportunities and Basic Skills Training Program (JOBS).

The JOBS program was created by the Family Support Act of 1988 and requires states to implement a job training program for welfare recipients. The regulations were scheduled to have been published by April 13, 1989, but OMB's review is likely to take several weeks.

--- KENNEDY, WAXMAN MANDATED HEALTH BENEFITS LEGISLATION TO EXTEND MEDICAID PROGRAM...On April 12th, Senator Edward Kennedy (D-MA) and Rep. Henry Waxman (D-CA) introduced a proposal, Basic Health Benefits for All Americans Act, mandating minimum employer-provided health benefits and expanding the Medicaid program to cover the uninsured.

The legislation is similar to that introduced by Kennedy last year. All employers would be required to provide a minimum package of health insurance benefits to full-time employees and their dependents. Medicaid would be expanded by creating a new program to cover the uninsured. The required benefits include hospital and physician care, diagnostic tests, prenatal care, well-baby care and limited mental health and catastrophic care benefits.

Like last year's legislation, the new bill would require employers to pay 80 percent of the health insurance premium for most workers and the full premium for low wage workers. Coinsurance would be limited to 20 percent, and deductibles could not exceed \$250 per individual and \$500 per family. No cost-sharing could be imposed for prenatal and well-baby care.

There are several new provisions in the bill, including a small business subsidy and a proportional contribution for part-time employees. Small businesses for which the cost of the minimum plan exceeds five percent of gross revenues would be eligible for a subsidy equaling 75 percent of the excess cost. Part-time employees working between 17.5 hours per week and 25 hours per week would have a proportional premium.

Another new provision would expand the Medicaid program to cover those not eligible for employment-based health insurance by the year 2000. Beginning in 1991, the program would be phased-in to provide coverage to 6 million uninsured individuals with incomes below the poverty level. In 1996, the program would extend coverage to individuals with incomes within 185 percent of the poverty line and in 1999 coverage would be extended to all remaining uninsured citizens. The new program would be financed by a combination of federal-state funds and beneficiary premiums related to income. Federal contributions would be based on the current Medicaid matching formula.

--- HHS TRANSFERS FUNDS TO EXTEND AZT PROGRAM...Health and Human Services Secretary Louis Sullivan last week transferred \$5 million in federal AIDS funds into an AZT grant program whose authorization would have expired April 1st.

The new funds will go to states that need more money before September 30th. Of the original \$15 million AZT pool, only \$10 million has been spent and some states have already run out of money. Senator Edward Kennedy (D-MA) had tried to get legislation through to extend the program through September 30th, but was unable to beat the April 1st deadline for expiration of the program.

While many in Congress contend that there will be no more expansions of the program, others say that a federal-state matching AZT program may be established.

For more information, contact Lori Bounds  
Human Resources Coordinator

## LABOR ITEM

--- SENATE APPROVES MINIMUM WAGE HIKE...On April 11th, the Senate approved a House-passed compromise raising the federal minimum wage to \$4.55 an hour after three years and a two-month subminimum wage for new hires.

Immediately following the 61-39 vote to increase the wage to \$4.55, the Senate voted against, 41-58, the lower increase to \$4.25 supported by the President.

President Bush has said that he would veto any raise in the minimum wage over \$4.25 an hour.

Although the increase to \$4.55 passed both the House and Senate, neither vote was substantial enough to override a presidential veto of the bill.

For more information, contact Mark Schnabel  
Energy and Natural Resources Coordinator

## SUPERCONDUCTING SUPER COLLIDER ITEMS

--- CONGRESSMEN, LUCE TESTIFY BEFORE HOUSE APPROPRIATIONS SUBCOMMITTEE...Congressmen Joe Barton (R-TX) and Martin Frost (D-TX) joined Tom Luce, Chairman of the Texas National Research Laboratory Commission (TNRLC) and Ellis County Judge Penny Redington in testifying before the House Appropriations Subcommittee on Energy and Water Development on April 11th on the FY 90 funding for the SSC. The panel, chaired by Rep. Tom Bevill (D-AL), has jurisdiction over the SSC. In their testimony, the witnesses emphasized the national benefits of the SSC and reiterated Texas' offer to "front-load" a portion of the \$1 billion state contribution to the project.

--- GOVERNOR CLEMENTS MEETS WITH BUSH, BENTSEN, ADMINISTRATION OFFICIALS...On April 11th-12th, Governor Bill Clements met in Washington with President George Bush, White House Chief of Staff John Sununu, Sen. Lloyd Bentsen (D-TX), Secretary of Defense Richard Cheney, and Deputy Secretary of State Lawrence Eagleburger regarding the SSC and a broad range of issues affecting Texas. In the meetings the Bush Administration reconfirmed its commitment to seek construction funding for the SSC in FY 90.

For more information, contact Henry Gandy  
Director

## TAXATION ITEMS

--- ROSTENKOWSKI SETS LBO HEARING DATES...On April 12th, House Ways and Means Committee Chairman Dan Rostenkowski (D-IL) announced that the Committee has scheduled hearings on May 16-18 on new proposals to change the tax treatment of leveraged buyouts, or LBOs.

The Ways and Means Committee and the Senate Finance Committee held hearings on the LBO issue earlier this year, but the issue was de-emphasized after legislators failed to reach a consensus. However, Rostenkowski announced last month his intention to reopen the issue, and he requested that committee members submit proposals for the committee's consideration which will form the basis of the committee's deliberations. The proposals cover a wide range of

possibilities, including reductions in debt deductions, changes in the tax treatment of equity financing and changes in treatment of investment banking fees.

--- ROSTENKOWSKI DISTRIBUTES SECTION 89 REVISION OPTIONS...On April 12th, House Ways and Means Committee Chairman Dan Rostenkowski (D-IL) distributed to other legislators a list of options for revision of Section 89 employee benefit non-discrimination rules. The list of options is currently being discussed among committee members and will be introduced as legislation as early as next week.

The draft plan would drop requirements in current law requiring employers to test the extent to which low-income employees participate in employee benefit plans. Further, it would retain rules requiring that plans be available to a wide range of employees and would add provisions requiring that tax-favored plans be "affordable" to low-income workers as well as to high-income workers. The basic requirement in the draft proposal would be that a tax-favored plan be available to 90 percent of rank-and-file workers and be affordable. Plans qualifying as affordable would be those requiring no more than a \$7 per week contribution for individual workers and a \$17.50 per week contribution for families.

In a separate development, Sen. Lloyd Bentsen (D-TX), Chairman of the Senate Finance Committee, indicated that he plans to introduce a bill which would make major changes to the Section 89 rules.

The Section 89 rules were adopted as part of the Tax Reform Act of 1986 to ensure that tax-favored employee benefit plans were available to, and affordable for, low-income workers. Since enactment of the rules, legislators have been swamped by complaints from businesses, claiming that the complexity may force many of them to discontinue their plans completely.

The Treasury Department has stated that it will enforce "without delay" Section 89 rules in the absence of Congressional action.

For more information, contact Carter Breed  
Economic Development Coordinator

#### TRADE ITEM

--- TREASURY TO ISSUE GUIDANCE ON FOREIGN INVESTMENT RULES SOON...An official with the Treasury Department indicated last week that Treasury will issue proposed regulations for implementation of the Exon-Florio foreign investment provisions of the 1988 trade bill within the next two or three weeks. The provision, sponsored by Sen. James Exon (D-NE) and Rep. James Florio (D-NJ), empowers the President or his designee to investigate certain proposed foreign acquisitions of U.S. companies and, if necessary, to block those transactions that "threaten to impair the national security" of the U.S. Responsibility for enactment of the law was given last year to the Committee on Foreign Investment in the United States (CFIUS), which includes representatives of the Treasury, Commerce, State, Defense and Justice departments.

For more information, contact Carter Breed  
Economic Development Coordinator

## THE WEEK AHEAD

- \* 1990 FARM BILL  
The Senate Agriculture, Nutrition and Forestry Committee will hold a hearing to review programs under the 1985 Farm Bill in anticipation of the 1990 Farm Bill. Secretary of Agriculture Clayton Yeutter is the lead witness. 10am SR-328A Russell Building. April 19.
- \* CLIMATE CHANGES AND AGRICULTURE  
Department Operations, Research and Foreign Agriculture Subcommittee and Forests, Family Farms and Energy Subcommittee of the House Agriculture Committee will hold a joint hearing on the effect of climatic changes on U.S. agriculture. 9:30am 1302 Longworth HOB. April 19.
- \* CHILD CARE PROPOSALS  
The Senate Finance Committee will hold hearings to review and evaluate the child care proposals that have been referred to the committee for consideration. 10am SD-215 Dirksen Bldg./April 18th and 19th
- \* PHYSICIAN PAYMENT REFORM  
Health Subcommittee (Senate Finance Committee) will hold a hearing on revision of physician payment under Medicare. 2pm SD-215 Dirksen Bldg./April 20th
- \* WORKING POOR  
Human Resources Subcommittee (House Ways and Means Committee) will continue hearings on the problems of the working poor. 10am B-318 Rayburn Bldg./April 27th
- \* STATE ENERGY CONSERVATION PROGRAMS  
Energy Regulation & Conservation Subcommittee (Senate Energy & Natural Resources Committee) will hold a hearing on legislation (S. 247) to amend the Energy Policy and Conservation Act to increase the efficiency and effectiveness of state energy conservation programs. 2 pm SD-366 Dirksen Bldg./May 2
- \* AMERICAN HERITAGE TRUST MARKUP  
National Parks & Public Lands Subcommittee (House Interior & Insular Affairs Committee) will mark up legislation (H.R. 876) to establish the American Heritage Trust for purposes of enhancing the protection of the nation's natural, historical, cultural and outdoor recreational heritage. 10am 1324 Longworth Bldg./April 20th

## TEXAS THIS WEEK:

President George Bush will address the Legislature in joint session April 26th. The White House said Bush would stop in Texas on his way back to Washington from a trip to California.....The Texas Senate approved a two year state spending plan that calls for an estimated \$46.75 billion that would give state employees a raise, boost funding for poor school districts and maintain current services without a major tax increase. The Senate version is about \$150 million less than the \$46.9 billion approved by the House. A conference committee will work out the differences between the House and Senate plans later this spring.....A late addition to the House budget plan was \$6 million for a study and planning of a Texas high speed rail system linking Houston, Dallas-Fort Worth and Austin-San Antonio.....Three scientists at Texas A&M University essentially duplicated controversial results of a fusion experiment done at the University of Utah. The experiment indicates that clean energy from sustained nuclear fusion at room temperature could replace all of the polluting fuel sources the world now uses within 20 years.....Six East Texas counties were declared disaster areas last Wednesday by Governor Clements, who asked for federal relief for damage caused by flooding last month. The six counties are Cass, Cherokee, Gregg, Harrison, Marion and Rusk.....The Texas Senate passed a fair housing bill that provides for state enforcement against housing discrimination. Senator Eddie Bernice Johnson (D-Dallas) sponsored the bill, which tracks the federal Fair Housing Act but allows for state enforcement. It is expected to pass the House, were it is being sponsored by Representative Hugh Shine (R-Temple).....The Texas Senate approved a series of accounting maneuvers proposed by State Comptroller Bob Bullock to produce an extra \$1.1 billion to fund critically needed state programs for the next two-year budget period. The maneuvers involve shifting money among state funds, borrowing money from state funds and delaying payments to other funds. Most of the money generated is being earmarked for public education and raises for state employees.....Another budget matter that passed the Senate was a measure to use \$143 million in bonds, authorized by voters in 1987, to build three prisons, including two 2,250-bed maximum-security units and a 500-bed psychiatric hospital. The House approved the measure earlier.....State Representative Weldon Betts (D-Houston) died last Thursday of cancer.....The Senate passed and sent to the House a bill that would create a commercial fisheries marketing council within the state agriculture department. The projected cost of the Texas Council for the 1990-91 fiscal year is \$203,396.....Governor Bill Clements, Lt. Governor Hobby, and Speaker Gib Lewis endorsed a \$150 million plan to renovate and substantially expand the 100 year old state Capitol. The plan, unveiled at a meeting of the State Preservation Board, would entail the construction of a four-story underground structure that would more than double the office space for state legislators and provide two floors of parking.....The Texas State Senate voted to raise the state's legal age for buying cigarettes and other tobacco products from 16 to 18. Under the bill, sponsored by Senator Cyndi Krier (R-San Antonio), selling tobacco products to a person under the age of 18 would be a misdemeanor punishable by a fine of as much as \$200.....Legislation that would allow "mini-bars" in hotel rooms won approval of the Senate Economic Development Committee.....Lt. Governor Bill Hobby, Senator O.H. "Ike" Harris (R-Dallas), and Representative Ashely Smith (R-Houston) will travel to Washington next month to discuss Texas' troubled financial industry.....Legislation to restrict lobbying by former state employees stalled after some state senators suggested lawmakers put themselves under the regulations.....Officials at the Texas Department of Human Services said their search for a new commissioner to replace

Marlin Johnson has narrowed to five candidates. They are Brian Baxter of Harrisburg, Penn.; Micheal Becker of Clearwater, Florida; Camille Miller of Austin; Frank Smith of Dallas; and Terry Trimble of Austin.....Representative Ron Lewis (D-Mauiceville) has introduced a bill that would prohibit police from setting ticket-writing quotas for officers. Lewis said some communities receive 70% of their budget from traffic fines and set quotas to ensure that revenues will meet expectations.....A New York based chemical firm in Marshall, Texas has agreed to pay the second-largest pollution fine in the state's history because of hazardous-waste handling and storing practices. Witco Incorporated has agreed to pay \$955,000 in civil penalties and fees.....The criminal justice reform package is expected to be considered in House and Senate committees this week. Major components of the package call for construction of 22,000 correction beds and combining the State Prison Board, Adult Probation Commission and the Board of Pardons and Parole into one criminal justice board.....First Lady Barbara Bush honored Peace Corp Volunteer Micheal C. Bainum of San Antonio as one of three recipients of the 1989 John F. Kennedy Peace Corps Volunteer of the Year awards.....The Texas House approved a bill sponsored by Representative Bill Blackwood (R-Mesquite), that would make it a felony to take a peace officer's weapon. The measure was prompted by the shootings of two Dallas law enforcement officers.....In 1988 the state collected \$499 million in oil production taxes, down from a high of \$1.3 billion in 1982.....Several hundred people gathered at the State Capitol last Wednesday to urge state financing of water and sewage improvements for the rural Texas border subdivisions called Colonias. State leaders predicted that the House will approve legislation that passed the Senate 30-0. The legislation would make available up to \$100 million in state-guaranteed bonds to allow governmental units along the Texas-Mexico Border to construct the water and sewage systems.....The House State, Federal, and International Affairs Committee approved H.B. 2972 by Representative Henry Cuellar (D-Loredo). The bill would establish an office within the Texas Department of Health to promote health and environmental issues between the State of Texas and Mexico.....Governor Bill Clements celebrated his 72nd birthday on April 13th.



## THE STATE OF TEXAS OFFICE OF STATE-FEDERAL RELATIONS

WASHINGTON ACTION ITEMS.....April 7, 1989

- \* WHITE HOUSE AGRICULTURE ADVISOR TOURS TEXAS DROUGHT AREAS...PAGE 1
- \* HOUSE BANKING SUBCOMMITTEE BEGINS MARKUP OF FSLIC BAILOUT...PAGE 3
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AGRICULTURE ITEMS

--- WHITE HOUSE AGRICULTURE ADVISOR TOURS TEXAS DROUGHT AREAS...Cooper Evans, President Bush's special assistant for agricultural affairs, toured some of the worst drought-affected areas in Texas April 5th and 6th at the request of Sen. Phil Gramm (R-TX). Evans also met with agricultural leaders in the Rio Grande Valley and in Lubbock to discuss the drought and other agricultural issues of concern to Texas agriculture. On Thursday, Evans addressed the annual meeting of the Plains Cotton Growers Association in Lubbock.

--- HOUSE AGRICULTURE COMMITTEE CONSIDERS DROUGHT RELIEF BILL...The Wheat, Feed Grains and Soybeans Subcommittee of the House Agriculture Committee held a hearing April 6th to hear testimony from the U.S. Department of Agriculture and others on the impact of the continuing drought on the 1989 wheat crop. Rep. Pat Roberts (R-KS) also discussed legislation he is introducing to extend the provisions of the 1988 Disaster Relief Act to producers of 1989 crop hard red winter wheat. USDA officials said that inadequate precipitation and abnormal temperature extremes have devastated much of the wheat crop in the Great Plains, including the Texas Panhandle. They believe that timely rains could save most of the crop, but that significant portions are already beyond recovery. They also indicated that USDA is monitoring the situation closely, and may sharply reduce the Acreage Reduction Program (ARP) requirements if dry conditions continue by June 1st, when program announcements must be made for the 1990 crop.

The Chairman of the Subcommittee, Rep. Glickman (D-KS), discussed four options as responses to the drought, including: an extension of the 1988 drought bill into 1989, extending the 1988 bill only for winter wheat planted in 1988, extending the enrollment period for the 0/92 program and modifying it to ensure

farmers full deficiency payments, and, extending the enrollment period for farmers to purchase federal crop insurance for the 1989 winter wheat crop. Both Glickman and Sen. Minority Leader Dole (R-KS) have said Congress is likely to pass legislation providing aid to drought-stricken farmers.

--- DROUGHT CAUSING NEAR-RECORD WIND EROSION IN GREAT PLAINS...Wilson Scaling, Chief of the USDA's Soil Conservation Service, announced March 23rd that some 4.7 million acres of land in the Great Plains has been damaged by wind erosion since November, 1988. While most of the damage is concentrated in the northern Great Plains, Texas has seen significant wind erosion as well. During the same November to February period a year ago, about 894,000 acres in Texas were damaged. This year, however, about 1,050,000 acres has been damaged by wind erosion.

--- FmHA PROCESSING DEBT RESTRUCTURING APPLICATIONS...The Farmers Home Administration (FmHA) reported March 21st that 28,000 completed responses had been returned to them out of over 66,000 notices sent out to seriously delinquent borrowers last November. Under provisions included in the Agricultural Credit Act of 1987, FmHA was required to notify borrowers who were more than 180 days delinquent in servicing their debt of new debt servicing options included in the new law. Borrowers then had 45 days to respond and furnish financial information to FmHA, who had 60 days to process the applications for debt relief. In Texas, notices were sent to 4,975 borrowers, and 2,086 applications were returned to FmHA. Once the applications are processed by FmHA, borrowers will have 45 days to decide whether to accept FmHA's proposal for restructuring. The debt restructuring plans could include loan rescheduling, deferral or forgiveness of debt, and interest rate reduction.

--- FCA PLANS HEARING ON DIVERSIFICATION OF FCS FINANCIAL SERVICES...The Farm Credit Administration recently announced that it will soon hold a public hearing to get public input on the advisability of allowing Farm Credit System lenders to diversify into financially related services. FCA wants to hear from borrowers and others on the need for financially related services, the availability of these services to agricultural borrowers, and the ability of FCS institutions to provide them. Details of the hearing will be announced in the Federal Register.

--- GATT NEGOTIATIONS ON AGRICULTURE CONTINUE IN GENEVA...Multilateral negotiations on reforming agricultural trade practices under the auspices of the General Agreement on Tariffs and Trade (GATT) continued in Geneva April 4th and 5th, but a major breakthrough did not occur. A proposal drafted by GATT General Director Arthur Dunkel, but not adopted, called for a freeze in farm supports at current levels, a freeze on import barriers at current levels, and a limit on export subsidies at the average of the past two years. A key element of the plan would require GATT member countries to implement "substantial, progressive reductions in farm subsidies" in the future.

House Agriculture Committee Chairman de la Garza (D-TX) led a delegation of Congressman to the negotiations to assist Administration officials. Rep. Charlie Stenholm (D-TX) also attended.

For more information, contact Glen Hodges  
Agriculture Coordinator

## BANKING ITEM

--- HOUSE BANKING SUBCOMMITTEE BEGINS MARKUP OF FSLIC BAILOUT...On April 6th, the Financial Institutions Subcommittee of the House Banking Committee began marking up H.R. 1278, the Bush Administration's plan to solve the savings and loan crisis. Since there are only four members of the House Banking Committee who are not also members of the Financial Institutions Subcommittee, the great majority of action on the bill is expected during the Subcommittee markup. The markup is scheduled to resume April 11th.

The Subcommittee defeated, by a vote of 7-39, an amendment offered by Reps. Paul Kanjorski (D-PA) and Marcy Kaptur (D-OH) which would have required Texas and several other states to pay 20 percent of the cost to clean up the state-chartered thrift problem within each state. Estimates of the cost to the State of Texas for its portion of the cleanup under the amendment approached \$10 billion. In lieu of paying the 20 percent share of the cleanup cost, the relevant state could opt to convert all state thrift charters to federal charters, eliminating Texas regulation of any aspect of the thrift industry. The state would have the additional option of financing a new or existing housing authority which would purchase all non-performing real estate from insolvent state-chartered thrifts and warehouse the assets until such time as the values rise sufficiently. Rep. Henry Gonzalez (D-TX), Chairman of the House Banking Committee, Rep. Steve Bartlett (R-TX) spoke out against the amendment.

Among the amendments approved was one offered by Rep. Jim Leach (R-IA) which would make the Federal Deposit Insurance Corporation (FDIC) the chief federal regulator of state-chartered thrifts. The amendment was approved by a vote of 35-12. The Federal Home Loan Bank System (FHLBS), which would be placed under the supervision of the Department of the Treasury, would retain regulatory responsibility for federally-chartered thrifts.

The Subcommittee also approved an amendment offered by Reps. Marge Roukema (R-NJ) and John LaFalce (D-NY) which authorized the immediate imposition of risk-based deposit insurance premiums upon completion of a study on the issue by the FDIC. The Bush plan called for the study, but left authorization of the premiums for later consideration.

The Senate Banking Committee is scheduled to begin consideration of the Bush plan on April 13th.

For more information, contact Carter Breed  
Economic Development Coordinator

## EDUCATION ITEMS

--- BUSH SUBMITS EDUCATION PACKAGE TO CONGRESS...President Bush announced April 5th that he has asked Congress for an additional \$422 million in FY 90 to promote educational excellence. The legislation (S. 695), introduced by Senator Nancy Kassebaum (R-KA), was quickly deemed by Democratic leaders as inadequate.

Critics argued that the President's education budget does not account for inflation, thereby forcing cuts in current programs. They maintain that money for the new initiatives would be better spent expanding successful programs for disadvantaged and handicapped students.

The Bush legislation would:

- Provide \$250 million in grants for merit school programs that promote educational achievement, create a safe and drug-free environment and reduce the dropout rate;
- Provide \$100 million for magnet schools;
- Authorize \$25 million for state grants in 1990 to improve teacher certification programs;
- Provide \$7.6 million for a three-year program of grants to outstanding teachers;
- Provide \$50 million over three years to historically black colleges and universities; and
- Authorize \$25 million annually for a three-year program of grants to urban schools with serious drug problems.

--- CAVAZOS ANNOUNCES ANTIDRUG INITIATIVE...On April 3rd, Secretary of Education Cavazos announced several new programs designed to beat America's drug problem.

Cavazos said that he would spend an additional \$2 million to expand the Department's drug prevention efforts with projects that include:

- Publication of a comprehensive antidrug handbook for parents;
- Preparation of a new videotape linking drug use to the school dropout problem. The videotape will be aimed at inner-city youths and will be produced in Spanish and English;
- Publication of a new version of the Department's "What Works: Schools Without Drugs"; and
- Translation of several antidrug videotapes into Spanish.

--- HOUSE PANEL SCHEDULED TO BEGIN MARKUP OF VOCATIONAL EDUCATION REAUTHORIZATION...The House Subcommittee on Elementary, Secondary and Vocational Education will begin April 12th markup of H.R. 7, legislation reauthorizing the Carl D. Perkins Vocational Education Act.

Members are expected to focus on setasides and the ability to transfer funds. The Administration's proposal still is being reviewed by the Office of Management and Budget (OMB), and most likely will not be available before the markup.

Senate action on the reauthorization legislation is unlikely before September.

--- HOUSE AND SENATE BUDGET COMMITTEES BEGIN EARLY CONSIDERATION OF EDUCATION FUNDING PROPOSALS...Senator Timothy Wirth (D-CO) and Congressman Augustus Hawkins (D-CA) have presented to their respective Budget Committees

plans that would provide substantial funding increases for education and children's services.

Hawkins' plan would commit \$5.4 billion a year over FY 1989 spending levels for four years to federal programs that provide for: early childhood nutrition, education and development for children at highest risk; strengthening basic skills; address the drugs and dropout problems; training and retraining of American workers for competitiveness; and strengthening American higher education.

The Wirth proposal would increase spending for certain programs, depending on FY 89 budget authority. The additional funding is proposed for: the Head Start program; inflationary increases for all Department of Education programs; increases for elementary, secondary and postsecondary education programs aimed at disadvantaged students; an increase for the drug-free schools program and for child nutrition programs; and an increase for maternal and child health programs.

Details are still not available for President Bush's education proposal. In testimony before the House Labor/HHS/Education Appropriations Committee, Office of Management and Budget (OMB) Director Richard Darman indicated that all areas of spending are on the negotiating table.

For more information, contact Lori Bounds  
Human Resources Coordinator

#### ELECTION ITEM

--- UNIFORM POLL CLOSING TIME APPROVED ON HOUSE FLOOR...By a vote of 238-154, the House passed a bill, H.R. 18, requiring all polls in the continental United States to close at 9 p.m. EST during presidential elections.

The legislation is aimed at preventing network television from announcing early results from the East that could influence Western voters. Supporters of the bill said it would boost voter turnout.

The bill provides that states in the Pacific time zone remain on daylight-saving time until the Sunday after Election Day in presidential election years so polls can stay open until 7 p.m. PST.

The bill is identical to two bills that passed the House in previous Congresses but failed to pass the Senate. Supporters said they think the bill will do better in the Senate this year because Sen. Wendell H. Ford (D-KY), Chairman of the Rules Committee, told them he would make an effort to push similar legislation to the floor.

For more information, contact Randy Erben  
Deputy Director and General Counsel

#### ENERGY ITEMS

--- ALASKAN OIL SPILL MAY AFFECT ANWR DRILLING PROSPECTS...Recent furor over the huge oil spill off the coast of Valdez, Alaska may change the dynamics

of congressional debate concerning the opening of the Arctic National Wildlife Refuge to oil and gas exploration.

Valdez is the location of a large oil terminal at the Southern end of the Trans-Alaska Pipeline. An Exxon oil tanker was returning from the terminal when it struck a reef, spilling 11 million gallons of crude oil into the Valdez Sound.

The opening of the ANWR to exploration has been a key issue among both the environmental and energy communities for some time. Proponents of opening the ANWR to drilling argue that the potential oil reserves under the 1.5 million acre coastal plain portion of the refuge are vital to our energy security and that minimal environmental damage will occur.

Opponents, on the other hand, maintain that potential oil findings in ANWR do not outweigh environmental risks associated with drilling.

While many feel that pro-ANWR legislation is imminent this year, others, primarily among the environmental community, believe that the Valdez accident will be a major setback for ANWR exploration prospects.

--- GAS DECONTROL BILL PASSES HOUSE SUBCOMMITTEE...On April 6th, the Energy and Power Subcommittee of the House Energy and Commerce Committee passed legislation, H.R. 1595, to decontrol all natural gas prices by January 1, 1993.

The 1993 deregulation date proposed by the bill represents a compromise between members wanting immediate decontrol, including Rep. Joe Barton (D-TX) who had offered an amendment as such, and those who want a five-year phase-in.

The full committee is expected to take up the measure next week.

For more information, contact Mark Schnabel  
Energy and Natural Resources Coordinator

#### ENVIRONMENTAL ITEMS

--- AMERICAN HERITAGE TRUST BILL REVIVED...On April 6th, the initial hearing of the House Interior and Insular Affairs Subcommittee on National Parks and Public Lands held its initial hearing on legislation regarding the American Heritage Trust Fund.

H.R. 876 would restructure the Land and Water Conservation Fund (LWCF), the government's main land-buying account, and the Historic Preservation Fund (HPF) into a dedicated trust fund invested in interest-bearing accounts. The interest would be used to acquire new parks, wildlife refuges, forests, and historic sites.

The Appropriations Committee, which represented the principal congressional opposition last year, does not look favorably on proposals to remove programs from the annual appropriations process. This year's bill, however, has been amended in an effort to address the Appropriations Committee's concerns by specifying that the distribution of money from the fund will be allocated pursuant to annual appropriations legislation.

Revenue from offshore oil and gas leases, which totals nearly \$900 million annually, goes into the funds. However, Congress must appropriate from those funds to provide for land acquisition. In recent years, Congress has appropriated far less than the maximum available. According to House Interior and Insular Affairs Chairman Morris K. Udall (D-AZ), the unappropriated balance amounts to nearly \$6 billion for the LWCF and \$1.2 billion for the HPF.

In Texas, the LWCF is administered by the Texas Parks & Wildlife Department while the HPF is administered by the Texas Historical Commission

--- WAXMAN POSITIVE ON NATURAL GAS/CLEAN AIR POSSIBILITIES...Rep. Henry Waxman (D-CA) indicated this week that natural gas may play a role in new clean air legislation if the natural gas industry aggressively gets involved in the rewriting of the Clean Air Act on Capitol Hill.

Waxman is Chairman of the Subcommittee on Health and the Environment of the House Energy and Commerce Committee, which has jurisdiction over the clean air issue.

Waxman, speaking at an April 4th meeting of the American Gas Association, also said that he supports freedom of choice for polluters on control strategies which include increased natural gas use as an option for decreasing air pollution along with another option of increased use of scrubbers, the option most favored by high-sulfur coal producers.

Action on the Clean Air Act should increase on all fronts as the Administration prepares to unveil its bill around June 1st, as the "Group of Nine" bill gains momentum, and as Energy and Commerce Chairman John Dingell (D-MI) and Waxman set the time frame for bill activity in the Energy and Commerce Committee.

For more information, contact Mark Schnabel  
Energy and Natural Resources Coordinator

#### HUMAN RESOURCES ITEMS

--- LEGISLATION INTRODUCED TO PREVENT INFANT MORTALITY...Legislation designed to prevent infant mortality was introduced April 5th by Senators Bill Bradley (D-NJ) and Dave Durenberger (R-MN) and Rep. Tom Tauke (R-IA).

The bills, which would cost \$100 million in FY 90, are designed to educate pregnant women and mothers about the need for early and continued health care through home visitor programs and information services. The legislation follows a study by the National Commission to Prevent Infant Mortality which found that almost 40,000 American infants die each year before reaching one year of age.

--- KENNEDY INTRODUCES MEASURE TO EXTEND FEDERAL PROGRAM FOR AIDS DRUG...Senator Edward Kennedy (D-MA) has introduced legislation that would extend until September 30th the federal program for AZT, the drug used in the treatment of AIDS patients.

Congress passed a measure in 1988 that gave states access to \$15 million in federal funds to assist eligible AIDS patients in purchasing AZT. The federal program is scheduled to expire shortly after April 1st unless Congress

intervenes. The original \$30 million program, established in 1987, was intended to be a one-year program. Last year's extension was supposed to give states needed support in starting up their own programs.

Only \$9.6 million of the \$15 million authorized by Congress last year has been spent. Kennedy's legislation is strongly opposed by Senator Jesse Helms (R-NC), who with his colleagues is opposing any AZT extension.

--- HOUSE PANEL CONDUCTS HEARING ON FEDERAL REFUGEE POLICY, ADMINISTRATION PROPOSES NEW IMMIGRATION CATEGORY... Congress continued this week to focus attention on the backlog of refugees waiting to enter the United States.

The House Subcommittee on Immigration, Refugee and International Law held a hearing yesterday on several bills which raise the refugee ceiling for Soviet Jews and other Soviet emigres waiting to enter the United States. Testifying at the hearing were representatives from the Departments of State and Health and Human Services, the Immigration and Naturalization Service (INS) and representatives from various advocacy organizations.

Office of Family Assistance Director Kathryn Bertini, testifying on behalf of the Department of Health and Human Services, indicated that the Administration opposes the provision contained in Rep. Howard Berman's (D-CA) legislation (H.R. 1605), that would "borrow" \$100 million from the State Legalization Impact Assistance Grant (SLIAG) program to fund the resettlement of Soviet Jews. Bertini indicated that the Administration supports a reprogramming of some refugee resettlement funds to support settlement of the Soviet Jews, an action that would shift more of the refugee burden to the states.

Prior to the hearing, the Bush administration proposed creating a new immigration category that would let in up to 30,000 additional immigrants yearly. The proposed legislation would set up a new category of "special immigrants" whose admission is deemed necessary for foreign policy reasons to be in the national interest. The proposal would permit up to 30,000 of the special visas for each of the next five years and would allow the emigres to eventually become eligible for citizenship.

Senator Edward Kennedy (D-MA) has scheduled a Senate Judiciary Committee hearing on the refugee situation for April 10th.

--- HOUSE SUBCOMMITTEE ON LABOR/HHS/EDUCATION PASSES FY 89 SUPPLEMENTAL... The House Subcommittee on Labor/HHS/Education quickly passed its portion of the FY 89 supplemental appropriations request on April 5th.

While the Administration had requested a 1.1 percent across-the-board cut in all programs, the Subcommittee did not implement the cut and added funding for several programs of interest to states. The Foster Care program received \$423 million for FY 89, and \$892 million was appropriated for the Guaranteed Student Loan program.

Full committee markup is expected early next week.

For more information, contact Lori Bounds  
Human Resources Coordinator

## SUPERCONDUCTING SUPER COLLIDER ITEMS

--- HOUSE COMMITTEE DEBATES SUPER COLLIDER SITE SELECTION PROCESS, GAO FINDS TECHNICAL MERIT, NOT POLITICS, WAS BASIS FOR TEXAS SITE SELECTION...The House Committee on Science, Space and Technology held a hearing on Wednesday, April 5th to discuss the fairness of the Department of Energy's selection of Texas for the Super Collider. Testifying at the hearing were: Dr. Raphael Kasper, a member of the committee from the National Academies of Science and Engineering, Robert Hunter and Wilmot Hess from the Department of Energy, Ms. Flora Milans from the General Accounting Office (GAO) and Dr. Brad Vinson of Texas A&M University.

The witnesses assured the Committee that the DOE's Site Selection Task Force decision was above-board and free of political pressure. DOE officials reaffirmed that the decision of the task force was an "unbiased evaluation of the merits of each of the best qualified list (BQL) sites against the published evaluation criteria and their relative importance."

The GAO, Congress' investigative arm, found no reason to question the decision to site the SSC in Texas. In her testimony GAO Assistant Director Milans testified that the GAO examination of the site selection process revealed that technical merit, not politics, was the basis of the Department of Energy's decision to locate the SSC in Ellis County.

In response to the GAO findings, Senator Dennis DeConcini (D-AZ), who earlier had criticized the selection as politically motivated, stated he was satisfied politics played no role in the decision. DeConcini, who sits on the Senate Appropriations Subcommittee which has jurisdiction over the project, expressed he would now support SSC funding.

--- HOUSE SUBCOMMITTEE APPROVES SSC CONSTRUCTION AUTHORIZATION...The House Science, Space and Technology Committee's, Subcommittee on Energy Research and Development held a markup on Thursday, April 6th to review the Department of Energy's Budget Authorization for FY90.

At the hearing, the Subcommittee approved authorization for FY 90 construction funding for the SSC.

Chairwoman of the Subcommittee Marilyn Lloyd (D-TN) submitted an amendment for a general, across the board reduction for the General Sciences portion of the budget. This could cause a slight reduction in the \$250 million recommended for the Super Collider.

Congressman Lamar Smith (R-TX) spoke in favor of authorizing appropriation of portion of the \$20 million recommended for the Geo Sciences section of the budget to the Geo Sciences Institute for Oil and Gas Research Discovery in Austin, Texas.

--- NATIONAL SSC COALITION HOLDS FIRST MEETING, NAMES KEYWORD AS HONORARY CHAIRMAN...Senators Lloyd Bentsen (D-TX) and Phil Gramm (R-TX) were the keynote speakers at the inaugural meeting of the National SSC Coalition on April 5th in Washington. The purpose of the Coalition, which consists of industries, universities, scientists and others with a strong interest in ensuring that Congress appropriates construction funding in FY 90, is to provide and coordinate broad based national support of the project. Joining Bentsen and Gramm at

the gathering were House Science, Space & Technology Chairman Robert Roe (D-NJ), Rep. Ron Packard (R-CA), Rep. Carl Pursell (R-MI), ten Texas congressmen and 150 representatives from the business, science and education communities.

At the meeting, Hollye Doane, Executive Director of the Coalition, announced that George Keyworth, who served as science advisor to President Ronald Reagan, had agreed to act as honorary chairman.

For more information, contact Henry M. Gandy  
Director

## THE WEEK AHEAD

The House will convene at noon on April 10th. Four bills are scheduled for consideration Tuesday under suspension of the rules. Wednesday's schedule includes the State Department authorization and the base closing bill. The House make take up the Central American peace plan on Thursday.

The Senate will not be in session on Monday. Tuesday's schedule includes a bill pertaining to the Eastern Airlines strike. On Thursday, the Senate will take up legislation to increase the minimum wage.

## UPCOMING CONGRESSIONAL HEARINGS

### \* AGRICULTURE & GATT

The Domestic & Foreign Marketing Subcommittee (Senate Agriculture, Nutrition and Forestry Committee) will hold a hearing on the General Agreement on Tariffs & Trade (GATT) proceedings in Geneva as they relate to agriculture. 2pm SR-328A Russell Bldg./April 12th

### \* FSLIC BAILOUT

Senate Banking, Housing & Urban Affairs Committee will mark up legislation to recapitalize the Federal Savings and Loan Insurance Corporation. Time TBA SD-538 Dirksen Bldg./tentative April 13th and 14th

### \* FY 90 NASA BUDGET

Science, Technology & Space Subcommittee (Senate Commerce, Science & Transportation Committee) will hold a hearing on the FY 90-91 budget request for NASA's space science and applications programs. 9:30am SR-253 Russell Bldg./April 11th

### \* CHILD CARE PROPOSALS

Senate Finance Committee will hold hearings to review and evaluate the child care proposals that have been referred to the committee for consideration. 10am SD-215 Dirksen Bldg./April 18th and 19th

### \* NUTRITION MONITORING

Senate Governmental Affairs Committee will hold a hearing on legislation to establish a coordinated national nutrition monitoring program and a comprehensive plan for the assessment of the nutritional and dietary status of the US population. The plan also would assess the nutritional quality of food consumed in the US. 9:30am SD-342 Dirksen Bldg./April 13th

### \* IMMIGRATION REFORM

Immigration and Refugee Affairs Subcommittee (Senate Judiciary Committee) will markup legislation to amend the Immigration and Nationality Act to change the level and preference sytem for admission of immigrants to the United States and provide for administrative naturalization. 1:45pm SD-226 Dirksen Bldg./April 10th

### \* REFUGEE PROGRAM REVIEW

Immigration and Refugee Affairs Subcommittee (Senate Judiciary Committee) will hold a hearing to conduct a mid-year review of the US refugee program. Following above markup SD-226 Dirksen Bldg./April 10th

- \* FSLIC BAILOUT  
Financial Institutions, Regulation & Insurance Subcommittee (House Banking, Finance & Urban Affairs Committee) will continue marking up legislation to recapitalize the Federal Savings and Loan Insurance Corporation. 9am 2128 Rayburn Bldg./April 11th, 12th and addl dates if needed
- \* VOCATIONAL EDUCATION ACT REAUTHORIZATION  
Elementary, Secondary & Vocational Education Subcommittee (House Education & Labor Committee) will mark up legislation revising and extending for five years vocational education programs included in the Carl Perkins Vocational Education Act. 9:30am 2175 Rayburn Bldg./April 12th and 13th
- \* HANDICAPPED EDUCATION  
Select Education Subcommittee (House Education & Labor Committee) will continue oversight hearings on the reauthorization of discretionary programs under the Education of the Handicapped Act. Time & Room TBA/May 4th
- \* MEAT INSPECTIONS  
Human Resources & Intergovernmental Relations Subcommittee (House Government Operations Committee) will hold a hearing on a Department of Agriculture plan to allow reduced inspections of meat-processing plants. 10am 2247 Rayburn Bldg./April 11th
- \* MEDICAL EDUCATION  
Health Subcommittee (House Ways & Means Committee) will hold a hearing on FY 90 budget issues related to graduate medical education support under the Medicare program. 10am B-318 Rayburn Bldg./April 11th
- \* GATT TRADE NEGOTIATIONS  
Trade Subcommittee (House Ways & Means Committee) will hold a series of hearings on the Uruguay Round of the General Agreement on Tariffs & Trade (GATT). 10am 1100 Longworth Bldg./April 11th
- \* MEDICARE PHYSICIAN PAYMENTS  
Health Subcommittee (House Ways & Means Committee) will hold a hearing on issues relating to Medicare payments to physicians. 1pm B-318 Rayburn Bldg./April 17th

## TEXAS THIS WEEK:

A bill sponsored by Senator Tati Santiesteban (D-El Paso) will bring water and sewer service to colonias along the Texas-Mexico border. The bill authorizes the state to issue \$100 million in bonds to provide low-cost, long term loans to counties and other government entities to install water and sewage systems. In addition the legislation authorizes the state to join the United States and Mexican government in funding a \$44 million sewage plant in Nuevo Laredo. The bill will now go to the House for approval.....The Texas House approved a new law requiring all adult motorcyclists to wear helmets. The measure has already been approved by the Senate and will go to the Governor for signing.....The Texas National Guard (TNG) will be stationed along the Rio Grande as part of an increased military role in the fight against narcotics trafficking. Ninety-two members of the TNG began full time employment April 1st through a \$2.9 million grant for the U.S. Department of Defense.....The House State Affairs Committee cleared bills expanding cruise ship gambling and allowing Texans to vote on a non-binding resolution on whether they would support a lottery. Both bills await consideration by the full House.....Senate Finance Committee Chairman Kent Caperton said the \$46.7 billion general appropriations bill will go before the Senate this Wednesday.....The Texas House Ways and Means Committee on Wednesday approved a plan that would cut the oil severance tax from 4.6% to 2.3% on oil recovered through techniques such as carbon dioxide and waterflow operations.....The Texas Racing Commission has granted three parimutual horse racing track licenses. Tracks that have received approval are Trinity Meadows, a Class II track just west of Fort Worth; Bandera Downs in Bandera; and G. Rollie White Downs in Brandy, 150 miles northwest of Austin.....San Marcos, Texas native Catalina Vasquez Villalpando has been nominated by President George Bush to be the next United States Treasurer.....The Senate State Affairs Committee has endorsed two bills that promote the use of natural gas in Texas. One would require use of natural gas or other alternative fuels in state-owned and operated vehicles, school districts with more than 50 buses and local transit authorities. The second would require conversion in the 21 counties that fail to attain federal clean air standards. Those include Dallas-Fort Worth, Houston, Beaumont-Port Arthur and El Paso.....Texas could become the 28th state to ratify a 200-year old amendment to the U.S. Constitution on congressional, judicial and executive salaries. The Texas House approved a resolution to ratify the amendment that would delay enactment of pay legislation until after the next election of voting members. Since 1789, 27 states have ratified it, 38 is needed to meet the three-fourths requirement.....The Texas State Teachers Association said teachers salaries fell from 27th to 31st nationally, according to a National Teachers Association survey. The 1988-89 average teacher salary in Texas is \$21,513 or \$3,054 less than the national average of \$29,567.



## THE STATE OF TEXAS OFFICE OF STATE-FEDERAL RELATIONS

WASHINGTON ACTION ITEMS.....March 24, 1989

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[Congress will be in recess for the Easter holidays March 24-April 2. The next edition of the Newsletter will appear on April 7th, 1989]

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### AGRICULTURE ITEMS

--- CAIRNS GROUP WARNS OF POSSIBLE TRADE WAR OVER AGRICULTURAL TRADE DISPUTES...Following meetings in New Zealand March 17th through 19th, the Cairns group of exporting countries issued a strongly-worded statement threatening to block progress in all areas of the General Agreement on Tariffs and Trade (GATT) negotiations if the dispute over agricultural trade is not resolved to their satisfaction. Substantial progress was made in several areas at the mid-term review last December, but final agreements could not be reached because of the impasse between the U.S. and EC on agriculture. The economies of the fourteen members of the Cairns group are all dependent on exports of their agricultural commodities, and all have been hurt by the subsidy war between the U.S. and the European Community (EC), especially as their countries have few export subsidy programs. In the current round of negotiations on the GATT, the U.S. has been seeking a commitment from all exporting countries to phase-out all trade-distorting export subsidy and import barrier programs. The EC, however, has been unwilling to make any such commitment, saying that short-term measures will be sufficient to cure problems with the agricultural trading system. The Cairns group has advocated a position similar to that of the U.S. in the past, and their statement following the recent meeting reserves most of the criticism for the EC.

Specifically, the group called for a freeze in current levels of agricultural protection, consisting of: no further restriction on market access, no increase in price supports, and no increase in export subsidies. The group also called for target dates for developing the new GATT rules, urged the EC to modify its negotiating position in a market-oriented direction, urged Japan to play a more active role in the negotiations, and called for negotiations over

the coming weeks to establish a framework for long-term reform with the objective of full liberalization of agricultural trade.

--- HOUSE TRADE SUBCOMMITTEE TO REVIEW GATT NEGOTIATIONS... An April 11th hearing has been scheduled by the House Ways and Means Trade Subcommittee to review the status of the Uruguay Round of multilateral trade negotiations to update the General Agreement on Tariffs and Trade. U.S. trade officials are scheduled to meet with their counterparts in Geneva April 5th and 6th to complete the "mid-term review" meeting, which was broke up after an impasse between the U.S. and EC over how far to go in reforming agricultural trade. U.S. Trade Representative Carla Hills will testify at the hearing on the 11th.

--- ARGENTINA DROPS EFFORTS TO FIGHT EC HORMONE BAN... Argentina, a major exporter of beef to the European Community, has given up on its efforts to oppose the EC ban on meat produced with the use of growth hormones. The EC ban, which went into effect January 1st, has cost the U.S. about \$100 million in beef exports to the EC and caused retaliation against imports of agricultural products from the EC into the U.S. A special joint task force has been appointed and has commenced meetings to seek a solution to the dispute which will be acceptable to American production practices and the EC directive. No progress has been reported to date.

--- COMMERCE OFFICIAL SAYS NORTH AMERICAN TRADE PACT WITH MEXICO CURRENTLY IMPRACTICAL... Ann Hughes, deputy assistant commerce secretary for the Western Hemisphere, said March 16th that although a "North American Common Market" for Mexico, Canada and the U.S. isn't currently feasible because of Mexico's problems with foreign debt, inflation and capital flight. However, Ms. Hughes noted that Mexico is currently the third largest trading partner of the U.S., with bilateral trade totaling \$40 billion in 1988. She also pointed out that while the Mexican president has said "a free trade agreement is not in the cards today", Mexico and the U.S. are discussing how to achieve future reductions in common trade barriers. Hughes said that overall trade relations between the two countries are quite good. One recommendation of Governor Clements' Task Force on Agricultural Development was analyzing the potential for creating a free trade agreement with Mexico comparable to the one signed with Canada.

--- AUTHOR OF JACKSON-VANICK AMENDMENT URGES FREER TRADE WITH USSR... Former Ohio representative Charles Vanick, author of a 1974 amendment tying Most-Favored Nation (MFN) status to human rights, told an agricultural group March 8th that he feels the "climate is right for America to consider extending a waiver of the Jackson-Vanick Amendment to the USSR". Speaking to the U.S. Feed Grains Council Board, Vanick said that improved emigration policies and the possible repeal of religious restrictions in Russia were the types of circumstances which could justify the waiver of the Amendment and granting MFN status. The Soviet Union has asked the U.S. for equal treatment in trade, saying that trade between the two countries could only advance with MFN status. Such a move could result in increased exports of agricultural commodities to the the Soviet Union, and could yield economic benefits to Texas agriculture.

--- HOUSE BUDGET COMMITTEE STUDY SHOWS EFFECTS OF SEQUESTRATION ON AGRICULTURE... The House Budget Committee released results of a study of the effects of the automatic spending reductions which will go into effect under the

Gramm-Rudman-Hollings (GRH) deficit reduction law if Congress fails to reduce the deficit by \$27 billion. The automatic cuts of \$27 billion would reduce defense outlays by \$13.5 billion and domestic discretionary outlays would be reduced by \$10.6 billion. Cuts of \$3.9 billion in mandatory domestic spending such as farm programs and Medicare would make up the balance. According to the numbers, based on estimates from the Congressional Budget Office, outlays for commodity price support programs would be reduced by \$505 million, with other agricultural programs reduced by \$319 million for a total reduction in agriculture of \$824 million. The budget proposal of the Bush Administration calls for savings in agricultural spending of \$1.1 billion.

--- OTA STUDY ON GRAIN QUALITY SUGGESTS POLICY CHANGES...The Office of Technology Assessment (OTA) has released their report on "Enhancing the Quality of U.S. Grain for International Trade", which was mandated by the 1985 Farm Bill. The report says the U.S. has advantages over other countries, but their are areas with room for improvement. Specifically, the report says the U.S. grain system enjoys five fundamental advantages over other countries, including: efficiency, encouragement of productivity growth built into the system, the wide variety in products the U.S. offers, grading and inspection by an independent agency, and market-based premiums and discounts.

In areas where U.S. grain quality can be improved, the report recommends: gearing technology toward increased quality in such areas as grain handling, drying and storage, changing farm policies to encourage increases in quality rather than yield, changing grading standards to better reward high quality grain, and better identifying both the end-use of the grain and buyers' needs.

--- CONSUMER GROUPS CALL FOR MANDATORY FEDERAL INSPECTION OF SEAFOOD...A coalition of 29 groups, led by the consumer group Public Voice, is calling for the federal government inspection of all fish products in a comprehensive and mandatory inspection program. The group claims that seafood is 10 times more likely to cause a food poisoning outbreak than beef and veal, seven times more likely than poultry and 6 times more likely than pork. The group also says that seafood is the only fresh food in the U.S. not subject to well-organized, rigorous oversight.

For more information, contact Glen Hodges  
Agriculture Coordinator

#### BANKING ITEM

--- SUPREME COURT SAYS FSLIC MAY NOT TRY CLAIMS...Handing down a unanimous decision on March 21st, the Supreme Court ruled that the Federal Savings and Loan Insurance Corporation (FSLIC) does not have the power to try claims against a failed thrift in administrative proceedings. The decision overturns the so-called "Hudspeth doctrine", stemming from a 1987 Fifth Circuit Court of Appeals ruling which held that the FSLIC did have such powers. The Fifth Circuit had cited portions of the United States Code which empower the FSLIC to "settle, compromise, or release claims" against failed savings and loans.

As part of its sweeping thrift industry rescue plan, the Bush Administration has proposed provisions which would grant the Federal Deposit

Insurance Corporation (FDIC) the same powers denied the FSLIC. Section 211 of the Administration's bill (H.R. 1278, S. 413) would empower the FDIC "to determine claims in accordance with rules and regulations it shall prescribe and subject to judicial review as herein provided." Slight alterations of the language would be necessary in order to conform with the Supreme Court's ruling.

--- DEBATE OVER FSLIC FINANCING MECHANISM CONTINUES...In hearings before the House Banking Financial Institutions Supervision, Regulation and Insurance Subcommittee on March 21st, Members of Congress and Administration officials continued to debate whether or not the proposed FSLIC refinancing plan should be carried on- or off-budget.

Subcommittee members Charles Schumer (D-NY) and Barney Frank (D-MA) argued that the extra financing costs associated with the off-budget financing approach are too costly. It is estimated that raising the \$50 billion in new capital for the FSLIC through a conduit such as the Resolution Trust Corporation (RTC) would cost 25 basis points more than would direct Treasury financing.

Office of Management and Budget Director Richard Darman repeated the Administration's contention that the off-budget approach outlined in the bill (H.R. 1278, S.413) submitted to Congress is necessary in light of Gramm-Rudman-Hollings (GRH) deficit reduction targets. Darman further argued that the resulting need to amend GRH to avoid automatic spending cuts would send a damaging signal to financial markets and would ultimately make an on-budget approach more expensive.

--- FED VICE CHAIRMAN SAYS U.S., EUROPEAN BANKS TO DISAGREE OVER SECURITIES ACTIVITIES...At a conference sponsored by the Securities Industry Association on March 22nd, Federal Reserve Board Vice Chairman Manuel Johnson said that U.S. and European banks may be headed for a collision over the issue of how banks will be permitted to engage in activities outside of those in which they traditionally engage.

In most European countries, banks may engage in banking and securities activities within the same company. In the U.S., under Federal Reserve guidelines, banks may only engage in securities activities within a separate affiliate of a bank holding company. "I think we are heading toward some point where these relative banking structure issues are going to be a major focus of attention in terms of international trade and financial policy," Johnson said. Johnson indicated that the U.S. believes in the principle of "national treatment", in which countries give foreign banks the same powers they accord their own institutions.

For more information, contact Carter Breed  
Economic Development Coordinator

#### BUDGET ITEM

--- WHITE HOUSE, CONGRESS AIM FOR EARLY APRIL BUDGET AGREEMENT...Following a series of meetings this week, Administration officials and congressional budget leaders indicated that they will try to reach agreement on a deficit-reduction plan by early April. However, the issue of revenue increases as part of a budget compromise remains a stumbling block, according to House Budget Committee Chairman Leon Panetta (D-CA). Rep. Bill Frenzel (R-MN),

the Ranking Minority Member of the House Budget Committee, while maintaining that the Administration is sticking to its no-new-taxes pledge, said that both sides in the negotiations recognize the need to compromise.

Reaching early agreement on a deficit plan is seen as critical, in order to allow Congress time to draft and enact a budget resolution. The resolution must be adopted by Congress by April 15th. For purposes of the budget resolution, only broad revenue and spending figures are required. The delineation of specific types of revenue increases is handled later in the year during consideration of the omnibus budget reconciliation bill.

Negotiations are expected to resume during the week of April 3rd, and participants expect an agreement at the end of that week.

For more information, contact Carter Breed  
Economic Development Coordinator

#### DRUG ITEM

--- SUPREME COURT UPHOLDS DRUG TESTING PLANS...On Tuesday, March 21st, the U.S. Supreme Court upheld the rights of the U.S. Customs Service and the Federal Railroad Administration to test their employees for the use of illegal drugs.

The rulings, hailed by Attorney General Richard Thornburgh a "momentous" victory for the war on drugs, upheld two testing programs. In one case, the court ruled 7 to 2 that Federal Railroad Administration regulations for testing railroad crews after accidents are constitutional. In the other case, the court upheld, 5 to 4, a Customs Service Policy of testing applicants for drug enforcement jobs.

For more information, contact Mark Schnabel  
Energy and Natural Resources Coordinator

#### EDUCATION ITEMS

--- CAVAZOS TESTIFIES ON VOCATIONAL EDUCATION...On March 21st, Secretary of Education Lauro Cavazos testified before the House Education Subcommittee that the Administration favors a number of changes in federal vocational education programs in an effort to make them more relevant and efficient.

Cavazos indicated that the Administration's priorities include:

- requiring local educational agencies to develop minimum performance standards for all vocational education programs in order to determine which are most effective;
- eliminating most funding set-asides for specific programs, with state and local administrators being given greater flexibility to determine how best to spend their federal dollars within broad guidelines; and
- emphasizing vocational education programs for jobs with a large number of openings.

Subcommittee Chairman Augustus Hawkins (D-CA) said that the Subcommittee plans to begin markup of a reauthorization bill April 12th.

--- SENATE UNANIMOUSLY APPROVES STUDENT LOAN DEFAULT BILL...The Senate March 17th unanimously approved legislation (S. 568) which threatens to cut off the flow of federally guaranteed student loans to schools and lenders that fail to reduce high default rates within three years.

The bill, which is virtually identical to legislation passed by the Senate last year, was taken directly to the Senate Floor by Senate education policy makers who were angered by the decision to delay action on the default issue. Default legislation was sidetracked last year when the House and the Reagan Administration agreed to delay consideration until the 101st Congress.

For more information, contact Lori Bounds  
Human Resources Coordinator

#### ENERGY ITEMS

--- HOUSE MEMBERS WITH DOE FACILITIES IN DISTRICTS FORM CAUCUS...The 16 Members of the House of Representatives who have nuclear weapons facilities operated by the Department of Energy within their districts have formed a caucus to discuss common problems arising as the sites begin undergoing environmental cleanup and modernization. The group met March 21st with Troy Wade, Assistant Secretary for Defense Programs at DOE, to discuss DOE's plans for the cleanup. One member of the caucus indicated that a function of the group will be to advocate adequate funding to provide restoration of the environment at the facilities. Rep. Bill Sarpalius (D-TX), whose district includes the Pantex facility near Amarillo, has joined the caucus.

For more information, contact Glen Hodges  
Agriculture Coordinator

BUSH CALLS FOR OUTER CONTINENTAL SHELF STUDY...President Bush, in a March 21st statement, announced the creation of a five-person task force to examine concerns over three offshore oil lease sales.

The Outer Continental Shelf Leasing and Development Task Force, headed by Secretary of the Interior Manuel Lujan, will look at lease sale 91 off the coast of northern California, lease sale 95 off the coast of southern California, and lease sale 116 off southern Florida.

The task force, which is to issue a report before January 1, 1990, will consist of the Secretary of the Interior, Secretary of Energy, the Director of the Office of Management and Budget, the Administrator of the Environmental Protection Agency, and the Administrator of the National Oceanic and Atmospheric Administration.

For more information, contact Mark Schnabel  
Energy and Natural Resources Coordinator

## ENVIRONMENTAL ITEM

--- GROUP LED BY WAXMAN RELEASES AIR TOXICS DATA... On Wednesday, March 22nd, Rep. Henry Waxman (D-CA) and three other members of the House, including Rep. Mickey Leland (D-TX), announced the issuance of preliminary data from the Environmental Protection Agency documenting emissions of 320 toxic chemicals, including 60 known carcinogens.

The data was obtained under the community "right-to-know" provisions in the 1986 superfund toxic-waste cleanup bill, which required U.S. industries to disclose, for the first time, the amount of toxic air pollutants being emitted from smokestacks.

The EPA data showed that Texas was by far the largest emitter of toxics followed by Louisiana, Tennessee, Virginia, Ohio and Michigan.

Rep. Leland said at the Rayburn House Office Building press conference that he would join with Waxman, Rep. Jim Florio (D-NJ) and Rep. Gerry Sikarski (D-MN) in introducing legislation following the Easter recess which will address both routine and accidental releases of toxic air substances.

While Leland acknowledged that this move may "surprise" some of his fellow Texans, he said that this decision was based on "my deep and abiding concern for Texas." While this bill would be costly for the Texas petro-chemical industry, Leland declared that "a sound economy and clean air can both be achieved."

For more information, contact Mark Schnable  
Energy and Natural Resources Coordinator

## HUMAN RESOURCES ITEMS

--- HOUSE VOTES TO INCREASE FUNDING FOR HEAD START... The House voted March 21st to increase funding for Head Start, raising the authorization for FY 90 by \$147 million to \$1.5 billion.

Head Start, the education program providing educational, social, nutritional and health needs to children aged 3 to 5 from low-income families, has been plagued by inadequate funds. The Senate must act on the increase before it can be added to the 1990 budget through the regular appropriations process.

President Bush requested the increase in child care legislation (S. 602, H.R. 1467) proposed by his Administration.

--- PHYSICIAN PAYMENT REVIEW COMMISSION PROPOSES NATIONAL FEE SCHEDULE FOR PHYSICIANS... Testifying before the Senate Finance Subcommittee on Medicare and Long Term Care, the Physician Payment Review Commission (PPRC) proposed that Medicare abandon its existing payment system to physicians in favor of a national fee schedule.

This fee schedule, which would entail a fixed amount for a particular service or procedure, could be phased in gradually beginning in April 1990 and could be fully in place in 1992. The PPRC also proposed creating annual

expenditure targets for the portion of the Medicare program that pays for physician and outpatient services. Designed to reduce the rising cost of Medicare, the targets would be aimed at preventing physicians from making up lost Medicare income by increasing the volume of services they provide. The Commission's report includes a limitation on "balanced billing," the practice whereby doctors bill patients for the difference between what Medicare pays and what the doctor would like to be paid.

The American Medical Association has tentatively endorsed the concept of a fee schedule but opposes both the balance-billing limits and expenditure targets. The Finance Subcommittee members reviewed the PPRC's recommendations cautiously, because the physician payment reform issue is likely to provoke a long and heated debate.

--- HOSPITALS TESTIFY ON REFORM OF CAPITAL PAYMENT SYSTEM...Hospital industry witnesses told the House Ways and Means Health Subcommittee that the Administration's proposal to cut 25 percent from hospital capital reimbursements would leave many aging facilities unable to perform necessary renovations.

Capital reimbursements are Medicare payments made to hospitals for construction and renovation of facilities. Hospital administrators oppose a proposal by Rep. Pete Stark (D-CA) (H.R. 712) that would require states to set up statewide and local agencies to monitor and approve construction and renovation projects. Stark's plan would also lump payments for medical equipment, a substantial portion of capital spending, into Medicare's Diagnostic Related Group system.

--- ADMINISTRATION TO REQUEST ADDITIONAL \$100 MILLION FOR REFUGEE RESETTLEMENT...The White House announced March 15th that President Bush will request an extra \$100 million in the current fiscal year to help relocate refugees from the Soviet Union and other countries.

\$85 million would be requested to help with the recent increase in numbers of Soviet refugees, and the remaining \$15 million would be used to assist refugees who are taking temporary asylum in other countries. The current rate of refugee applications threatens to exhaust the FY 89 appropriation of \$365.95 million.

In another effort to bring relief to states experiencing an influx of Soviet Jews, Rep. Howard Berman (D-CA) introduced legislation that would take \$150 million from the State Legalization Impact Assistance Grant (SLIAG) fund to use for refugee resettlement. Berman's proposal would extend the four-year SLIAG program for one year and restore the \$150 million to the fund in the fifth year.

OSFR will work with the Texas delegation to protect the State's SLIAG dollars from the Berman proposal. Like the Kennedy companion legislation in the Senate, the Berman bill cannot guarantee that the SLIAG dollars would be reappropriated in future years.

--- HOUSE RURAL HEALTH CARE COALITION INTRODUCED LEGISLATIVE AGENDA...At a press conference on March 22nd, the House Rural Health Care Coalition introduced its 1989 agenda to alleviate the problems being experienced by rural health care providers.

Representatives Joe Barton (R-TX), Jim Chapman (D-TX), Larry Combest (R-TX), Ralph Hall (D-TX), Greg Laughlin (D-TX), Marvin Leath (D-TX), J. J. Pickle (D-TX), Bill Sarpalius (D-TX), and Lamar Smith (R-TX) are members of the Coalition, and Rep. Charles Stenholm (D-TX) sits on the steering committee. The group was formed in 1987 to give the health care needs of rural residents a voice in Congress and to enact legislation protecting and strengthening health care services in rural areas.

The package would: eliminate separate urban/rural rates in Medicare reimbursement; reduce administrative barriers to establishing rural health clinics; state the sense of Congress that disparities between rural and urban physician fees should be reconciled; establish a \$45 million block grant program to help states establish rural emergency medical services; increase the authorization for maternal-child health programs by \$50 million; and create an Undersecretary of Rural Health in the Office of the Secretary of Health and Human Services.

--- PRESIDENT INTRODUCES CHILD CARE PROPOSAL...President Bush sent to Congress this week a two-part child care proposal developed by the Treasury and Health and Human Services Departments.

The legislation consists of two bills: the Working Family Child Care Assistance Act (S. 601, H.R. 1466), to provide low-income families with more money to pay for child care, and the Head Start Amendments of 1989 (S. 602, H.R. 1467), which increases the authorization level for the preschool education, nutrition and health program for disadvantaged three and four-year-olds.

Under the provisions of the Working Family Child Care Assistance Act, the existing dependent care tax credit would be made refundable, meaning that families with incomes too low to owe taxes would become eligible for a refund they could use toward child care expenses. Families with incomes below \$13,000 would be given the option of taking the expanded dependent-care credit or a new credit of up to \$1,000 per child under age 4. The new credit would also be refundable and would be available to families with no child care expenses. Eligibility thresholds for the new credit would be phased upwards gradually under the plan to between \$15,000 and \$20,000 of annual income by 1994.

While many Republicans quickly signed onto the bills, supporters of the House and Senate child care bills maintained that a tax break is not a substitute for comprehensive child care legislation.

The other half of the Bush proposal would raise the Head Start programs FY 90 authorization to \$1.49 billion, \$250 million more than the amount appropriated in FY 89 and \$80 million more than the FY 90 authorization level.

For more information, contact Lori Bounds  
Human Resources Coordinator

#### LABOR ITEM

--- MINIMUM WAGE BILL PASSES HOUSE...On Thursday, March 23rd, the House of Representatives passed a compromise bill which raises the minimum wage from \$3.35 an hour to \$4.55 an hour over a three year period including a 60-day subminimum training wage.

The House passed the measure by a vote of 248-171 after, on Wednesday, defeating a proposal which would have expanded the earned income tax credit (EITC). This measure would have increased the minimum wage to \$4.00 an hour in addition to providing a larger tax break to the working poor depending on family size.

For more information, contact Mark Schnabel  
Energy and Natural Resources Coordinator

#### SUPERCONDUCTING SUPER COLLIDER ITEM

##### -- WATKINS TESTIFIES BEFORE HOUSE APPROPRIATIONS SUBCOMMITTEE...

Department of Energy Secretary James Watkins, testifying before the House Appropriations Subcommittee on Energy and Water Development, characterized foreign participation in the SSC as a "chicken and egg" situation. "Everybody is looking to the next person to make a commitment before they jump in," Watkins said. Foreign governments, he told the Subcommittee, will not be interested in participating in the Collider until the project is well underway. Congressman Tom Bevill (D-AL), chairman of the Subcommittee, reiterated his position on foreign participation to Secretary Watkins: "That (foreign participation) is something Congress is going to insist on. The mood in Congress, and the mood in the country for that matter, is not going to be too keen on building a project of this size."

Congressman Jim Chapman (D-TX), a member of the Subcommittee, asked Secretary Watkins how much confidence he has regarding the possibility of strong non-federal participation. Watkins replied that there is significant foreign interest in the project and the Texas offer of \$1 billion is an incentive for others to join in. "This is the time to make a bold move in an area that is extremely critical to our competitiveness," Watkins said. "If we do it well, other countries will come in."

--- UPCOMING SSC EVENTS... On April 5th, 1989, at 10:30 a.m., the House Science, Space, and Technology Subcommittee on Investigations and Oversight will hold a hearing on the SSC site selection process. Invited to testify are the governors of the seven finalist states, the General Accounting Office, the Department of Energy, and Senator Trent Lott (R-MS) and Senator Dennis DeConcini (D-AZ). Rayburn House Office Building 2318.

On April 5th, 1989, at 4:00 p.m., the National SSC Coalition will convene a meeting of parties interested in the construction and operation of the Superconducting Super Collider. Those interested in attending should call the Coalition at (202) 659-6568. Rayburn House Office Building 2318.

Thomas Luce III, Chairman of the Texas National Research Laboratory Commission, will be testifying before the House Appropriations Subcommittee on Energy and Water Development on Tuesday, April 11th, 1989 at 10:00 a.m. Rayburn House Office Building 2362.

For more information, contact Henry Gandy  
Director

## TAXATION ITEM

--- ROSTENKOWSKI TO REOPEN DEBATE ON LBO PROPOSALS...On March 21st, House Ways and Means Committee Chairman Dan Rostenkowski (D-IL) asked committee members to submit to committee staff specific proposals for changing the tax treatment of leveraged buyouts, known as LBOs. He indicated that further hearings on the subject in May were possible.

The announcement of further hearings gives new life to the LBO issue, which had been the subject of intense debate earlier in the year. Interest in the issue faded after the hearings in the Ways and Means Committee and the Senate Finance Committee had failed to produce a consensus. The Treasury Department's decision not to propose LBO tax changes with the Administration's budget request was thought to have further dampened enthusiasm for action on the issue.

--- TREASURY UNVEILS CUSTOMS USER FEE CHANGES...On March 17th, the Treasury Department unveiled a draft of proposed legislation which would change the user fee paid by importers of commercial merchandise from an ad valorem fee to a transaction-based fee in order to make it consistent with the General Agreement on Tariffs and Trade (GATT). The draft legislation calls for changing from the ad valorem fee of 0.17 percent to a transaction-based fee offsetting actual commercial costs as defined by GATT. It is estimated that the new fee approach would result in a revenue loss of \$160 million in FY 1990 if enacted.

Treasury officials have requested suggestions from lawmakers before sending the bill to the Hill for consideration.

For more information, contact Carter Breed  
Economic Development Coordinator

## TRANSPORTATION ITEM

--- LOCAL RAIL ASSISTANCE APPROVED BY HOUSE SUBCOMMITTEE...On Wednesday, March 22nd, legislation, H.R. 422, was passed by the House Energy and Commerce Transportation Subcommittee intended to maintain rail service to small towns that have been bypassed by major railroads.

The bill, approved by voice vote, would authorize funds for the Local Rail Assistance Program which makes grants to states for the acquisition of rail lines being abandoned by major carriers, rehabilitation of equipment, and construction of facilities.

Funding for this program has decreased steadily in recent years.

For more information, contact Mark Schnabel  
Energy and Natural Resources Coordinator

## TEXAS THIS WEEK:

Governor Bill Clements, Lt. Governor Hobby and House Speaker Gib Lewis have endorsed a bi-partisan plan to overhaul the Texas' criminal justice system. House and Senate hearings could begin within the next two weeks. Key elements of the more than \$300 million plan are; construction of 10,800 new prison beds, community corrections programs such as boot camps and halfway houses, consolidation of four state agencies into a new Department of Criminal Justice, establishment of a three tiered system of probation and parole, and changes in sentencing laws to give judges more leeway to sentence law breakers to community based corrections programs..... Bills to improve the water quality in the Rio Grande have been filed by Representative Henry Cuellar (D-Laredo) and Senator Judith Zaffirini (D-Laredo). H.B. 1862 and S.B. 1545 will allow Texas, working through the U.S.-Mexico International Boundary Commission, to finance construction of sewage treatment plants in Mexico.....Appointments were made to the State Insurance Board last wednesday. The Governor nominated Thomas McDade, a retired Houston banker, and Richard Reynolds, a former House member from Flower Mound.....Lt. Governor Hobby and House Speaker Lewis said the current regular session is one of the calmest they can remember, but added the possibility of a special session to deal with workers' compensation or the state's prison system still exists.....S.S.C. legislative update:.....The General Appropriations Bill, H.B. 20 which authorizes \$2.5 billion in general revenue funding for state services is before the House Appropriations Committee.....Legislation to establish a state lottery, H.B. 33 and H.J.R. 7 is being considered in the House State Affairs Committee.....The Worker's Compensation bill, H.B. 1, which reforms the workers' compensation system and alter the powers, duties and composition of the Texas Industrial Accident Board has been passed by the House and referred to the Senate State Affairs Committee.....Senator John Montford (D-Lubbock) has proposed a bill, S.B. 255, to raise the capital and surplus requirements for starting insurance companies and require more rigorous regulation of insurers by the State Board of Insurance.....A bill by Senator Kent Caperton (D-Bryan) to propose a constitutional amendment relating to appointment of appeals court judges and justices and certain district judges by the governor. The judges would be subject to voter approval on a non-partisan ballot.....The state Senate passed a bill that will make canoeists, tubers and others who use Texas rivers more cautious where they stop. Under the bill anyone setting foot on the private property along navigable rivers will be trespassing.....State Representative Harold Dutton (D-Houston) reported he has received death threats over his proposal to ban assault rifles in Texas.....George C. Hixon of San Antonio was appointed to the Parks and Wildlife Commission. Hixon is replacing William Graham of Amarillo, whose term expired.....State Senator John Leedom (R-Dallas) assumed the gubernatorial office as "Governor for a Day" through a tradition in which the governor and lieutenant governor are absent from the state for a day. Leedom declared last Saturday to be "Texas Volunteer Good Turn Day.".....The Texas economy is moving away from being primarily dependent on energy and agriculture. A report prepared by Southern Methodist University for Senator Lloyd Bentsen suggests that Texas is on its way to kicking the oil and gas habit.....Proposals by Representative David Cain (D-Dallas) and Senator Don Henderson (R-Houston) would require 50% of public school buses to convert from gasoline to natural gas power by 1996.....Texas Department of Public Safety Director Col. Joe Milner reported that Texas had an increase in traffic fatalities for the first time since 1984. Among the factors cited in traffic fatalities are alcohol or drug abuse, excessive speed and failure to use safety belts.....Sematech's second ranking

executive Paul Castrucci has resigned. Turner Hasty, a former Texas Instruments Inc. executive who has been a member of Sematech's management team since 1987, was named acting chief operating officer.....Randall Dale Adams was freed last Tuesday from a Dallas prison. A state District Judge set aside Adam's conviction for the 1977 shooting death of Dallas police officer Robert Wood. Support for Adams galvanized after the 1988 documentary "The Thin Blue Line".....The Senate Nominations Committee approved the appointments of Raul Ferdandez of San Antonio, former House Speaker Billy Clayton of Springlake and Ross Margraves of Houston as Texas A&M University regents. The appointments now go before the Senate for a confirmation vote.....Governor Clements appointed Milton Risinger of Terrell and William Poteet III of Lubbock to the Texas Board of Health.....Republican Ken Vandervoort defeated Democrat Ken Yarbrough to become the new state representative for District 138 in northwest Harris County. The final vote count was 2,415 to 2,185. The seat became vacant when former State Rep. David Patronella resigned to become a Harris County Justice of the Peace.....Legislation that would repeal the "LBJ Law", which allows a candidate to simultaneously seek national office while running for re-election, was approved by the House Elections Committee and is pending in the House Calender Committee.....U.S. Secretary of State James Baker III has been chosen to receive the 1989 Outstanding Alumnus Award of the University of Texas at Austin School of Law. Also, former U.S. Senator Ralph Yarborough of Texas will receive a 50th anniversary award.



**THE STATE OF TEXAS  
OFFICE OF STATE-FEDERAL RELATIONS**

**600 MARYLAND AVENUE, S.W., SUITE 255  
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## THE STATE OF TEXAS OFFICE OF STATE-FEDERAL RELATIONS

WASHINGTON ACTION ITEMS.....March 17, 1989

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AGRICULTURE ITEMS

--- USSR MOVING TOWARD REFORMS OF AGRICULTURAL SYSTEM...On March 15th, Soviet President Mikhail Gorbachev announced new efforts aimed at making the USSR more self-sufficient in food production through the introduction of individually-controlled, rather than collective, farms. The USSR, whose agricultural system has been plagued by inefficiency and food shortages since the collectivization of private farms in the 1930's, must import millions of tons of grain every year and is an important market for American agricultural producers. In response to these chronic problems, Gorbachev says farmers should be given broad opportunities for displaying independence, enterprise and initiative.

The new system envisioned by Gorbachev would include a mix of several different management forms, including farms run by the state, collectives and individuals. He also said the collectives and the individuals should be granted complete freedom in the marketing of their production. Currently, more than 98 percent of the farmland in the USSR is owned and run by the state. Collective farms make up the remainder. Although the reforms proposed by Gorbachev don't go so far as to allow private ownership of farmland, the land could be leased from the state for up to 50 years.

--- TECHNICAL AMENDMENTS BILL TO DAIRY POLICY PASSES HOUSE...S. 553, a bill designed to save \$35 million over the next two years through a minor adjustment to dairy policy, was passed by the House of Representatives on March 15th. The bill is designed to insure that the agriculture function of the budget will be credited as having achieved the savings, potentially reducing the amount of cuts the Agriculture Committee will be required to come up with in a deficit-reduction package.

--- EPA SET TO PROPOSE NEW PESTICIDE RESTRICTIONS TO PROTECT ENDANGERED SPECIES... Allan Abramson, Environmental Protection Agency director for program management, announced March 3rd that a controversial EPA plan to protect endangered species had been significantly changed and would be re-proposed in a few weeks. The original plan had met with vigorous opposition from farmers and farm organizations because it would have severely limited the use of certain pesticides throughout the country in order to protect the habitat of endangered species. Critics of the original plan said the habitat maps were inaccurate and the regulations were overly burdensome and unworkable. The EPA says it has redrawn the habitat maps and reduced the amount of new language it is requiring to be added to product labels.

--- U.S., EC NAME TASK FORCE TO STUDY BEEF HORMONE DISPUTE... The U.S. members have been named to a task force to study the trade dispute over the European Community's ban on imports of hormone-treated beef. They are Joshua Bolton, Acting Deputy U.S. Trade Representative, Leonard Condon, Deputy U.S. Trade Representative for Agricultural Affairs, Dr. Lester Crawford, Administrator of USDA's Food Safety and Inspection Service, and Ann Veneman, Associate Administrator of USDA's Foreign Agricultural Service.

Members of the joint U.S-EC task force will have 75 days to arrive at a solution to the trade dispute resulting from the EC's ban on hormone-treated beef. The U.S. contends the ban is an arbitrary trade barrier as U.S. and international organizations have certified the practice poses no health risks.

--- YEUTTER, HILLS MEET WITH EC OFFICIALS ON GATT... U.S. Agriculture Secretary Clayton Yeutter and Trade Representative Carla Hills met March 10th and 11th with counterparts from the European Community to try and resolve disputes over agricultural subsidies which are holding up progress in negotiations on the General Agreement on Tariffs and Trade (GATT). Talks broke down at the "mid-term review" meeting in Montreal last December over disagreements between the U.S. and EC about how far reforms in agricultural trade practices should extend. The U.S. had been adamant that the goal should be the complete elimination of trade-distorting export subsidies and import barriers; the EC had been equally adamant that short-term adjustments would suffice and that the EC's Common Agricultural Policy would remain in place.

In recent weeks the U.S. has softened its position somewhat in an effort to move the process forward. Officials have indicated that the U.S. is willing to discuss short-term measures without an agreement on long-term, permanent reforms. However, the U.S. will not begin implementation of short-term measures without reaching agreement on long-term reforms. A meeting of all GATT participants will be held in April to try and strike a deal on agriculture and finalize tentative agreements reached in numerous other areas.

--- CROWDER NAMED UNDER SECRETARY OF AGRICULTURE... President Bush announced March 7th his intention to nominate Dr. Richard Crowder to be Under Secretary of Agriculture for International Affairs and Commodity Programs, succeeding Dan Amstutz who served in that capacity during the Reagan Administration. Crowder has been with the Pillsbury Company for several years, most recently serving as president of the Burger King Corporation. Dr. Crowder received his Ph.D from Oklahoma State University in 1967.

--- U.S. MILITARY BASES IN EUROPE MAY HALT PURCHASES OF EUROPEAN GOODS IN RESPONSE TO EC BAN OF U.S. BEEF...Two key House Committee Chairmen announced March 15th they are considering halting the purchase of European food products for American military bases in Europe in response to the ban on American beef imposed by the European Community. Rep. de la Garza (D-TX), Chairman of the House Agriculture Committee and Rep. Aspin (D-WI) said in a joint statement that their respective committees will study this matter at hearings this spring. Rep. Marvin Leath (D-TX), who serves as Chairman of the Armed Services Subcommittee on Morale, Welfare and Recreation, has been appointed by Aspin to lead the inquiry on the Armed Services Committee.

Last year, \$55 million worth of European beef was sold by commissaries on American military installations. The joint statement indicated several reasons for discontinuing this practice, including: the European ban on American beef; the declining value of the dollar pushing up the cost of European beef; improvements in the military transportation system enabling quicker delivery of U.S. products to our commissaries; and the superior quality of U.S. beef and doubts over whether the European beef is being inspected to U.S. standards. Although the EC has banned the use of all growth hormones in beef production, a black market for illegal and possibly unsafe hormones is reportedly flourishing in Europe.

--- HOUSE SUBCOMMITTEE REVIEWS BUDGET FOR FARM PROGRAMS...At a March 16th hearing of the Wheat, Soybeans and Feed Grains Subcommittee of the House Agriculture Committee, a top official from the Department of Agriculture said the Department hopes to release by early April details of its plan to achieve \$1.1 billion in farm program savings. This came in response to criticism by committee members that the Administration is taking too long to come forward with specific proposals on agricultural spending. William Bailey, deputy undersecretary for international affairs and commodity programs, told the subcommittee that the Department and the Office of Management and Budget were carefully studying various options that would achieve the desired savings without weakening the Administration's position in negotiations on the GATT.

Also discussed during the course of the hearing was the condition of the winter wheat crop in the Great Plains, which is suffering from continued drought, temperature extremes, insect damage and high winds. A Kansan on the subcommittee suggested bringing the winter wheat planted in 1988 under the provisions of the 1988 drought relief legislation. A hearing on that proposal will be held on March 23rd.

--- FCS ASSISTANCE BOARD PROVIDED \$690 MILLION IN 1988...In its annual report sent to Congress on March 13th, the Federal Farm Credit Assistance Board reported spending \$690 million to help financially troubled lending institutions in the Farm Credit System. The Assistance Board was created as part of the Agricultural Credit Act of 1987, which authorized the Board to spend up to \$2.8 billion. If that level was insufficient, the Board could have returned to Congress to seek authorization to provide additional assistance up to \$4 billion.

--- FARMERS OFFER ADDITIONAL 3.2 MILLION ACRES FOR ENROLLMENT IN CRP...The U.S. Department of Agriculture announced March 14th that farmers had bid to enroll 3.2 million acres into the Conservation Reserve Program (CRP) during the latest sign-up period. The CRP is a soil-bank program established by

the 1985 Farm Bill which authorizes annual rental payments to farmers who retire highly erodible land from production for a ten-year period. Secretary of Agriculture Yeutter has announced on March 6th that maximum acceptable bids for CRP acreage would not exceed the levels accepted during the previous sign-up period. In Texas, the maximum rates acceptable vary from \$35 per acre per year in some areas to \$55 per acre per year in others. USDA also announced that another sign-up period is scheduled for July 7th through August 4th.

--- ENVIRONMENTAL COALITION SEEKS SUPPORT OF LOW-INPUT FARMING...A group calling itself the Midwest Sustainable Agriculture Working Group held a briefing on Capitol Hill March 15th to outline their recommendations for the 1990 Farm Bill. The recommendations of the group include a five-year federal demonstration program for Low-Input Sustainable Agriculture (LISA) involving 25 million acres. LISA is the acronym for farming methods designed to greatly reduce or even eliminate the use of chemical pesticides and fertilizers in favor of organic and other alternative production methods. The group also recommends that Congress strictly limit the volume of production for which government support can be received on individual farms. The Sierra Club and the Izaak Walton League are included among the members of the organization.

--- USDA WON'T PROPOSE "BILL BACK" PROCEDURES...The U.S. Department of Agriculture announced March 9th that it has decided against proposing to "bill back" sellers of livestock found to contain illegal drug residues. A proposal published in the May 24th Federal Register described a plan to shift economic responsibility for illegal drug residues from the meat packer to the producer causing the violation. The proposal requested comments on deterring illegal sulfa and antibiotic drug residues in carcasses of young calves, cull dairy cows and swine. 87 percent of the comments received on the proposal opposed the concept, mostly because of the difficulty in accurately tracing back and identifying the source of the illegal residue.

For more information, contact Glen Hodges  
Agriculture Coordinator

#### BANKING ITEMS

--- SENATE BANKING COMMITTEE SCHEDULES MARKUP OF THRIFT PLAN...On March 16th, Senate Banking Committee Chairman Don Riegle (D-MI) announced that the committee will mark up legislation (S. 413) intended to resolve the nation's thrift crisis on April 13th and 14th. Riegle added that he would like to schedule consideration of the bill on the Senate floor between April 18th and 21st. The House Banking Committee's Financial Institutions Subcommittee has tentatively scheduled a markup of the bill (H.R. 1278) for April 6th, with full committee action to follow.

--- FAILED THRIFT ASSETS WILL NOT BE DUMPED, BRADY SAYS...In a speech before the National Association of Homebuilders (NAHB) on March 13th, Treasury Secretary Nicholas Brady assured the audience that insolvent thrift assets would not be dumped on an already depressed housing and real estate market under the Bush plan for resolving the thrift crisis. Under the Bush plan, a corporation known as the Resolution Trust Corporation (RTC) would be created in order to merge or liquidate failed thrifts and to deal with the huge amounts of assets seized from these thrifts. It is generally thought that the RTC, under the direction of a three-member board consisting of the Treasury Secretary, the

Chairman of the Federal Reserve and the Attorney General, would delegate most of the actual liquidation work to the Federal Deposit Insurance Corporation (FDIC).

The NAHB has asked Congress to amend the Bush plan and require the RTC to spell out exactly how it intends to deal with the asset portfolio it will assume control over. It also wants the life of the RTC extended from the currently envisioned five years to eight years to further lessen the chance of asset dumping. Sen. Phil Gramm (R-TX), also at the NAHB conference, shared NAHB's concerns, questioning the federal government's ability to efficiently manage and dispose of the assets well.

--- RISKY ACTIVITIES ONLY IN SEPARATE AFFILIATES, SAYS RIEGLE... During a Senate Banking Committee hearing on March 16th, Committee Chairman Don Riegle (D-MI) indicated that he supported allowing state-chartered banks and thrifts to engage in risky activities not permitted for federally-chartered institutions, but only if such activities are engaged in by a separate affiliate in a holding company. Further, the activities of the holding company should not be insured by the appropriate federal insurance agency. State-chartered institutions should be permitted to engage in broader activities, Riegle said, "but not at the expense of the foundation of federal deposit insurance". Riegle's comments came during testimony by representatives of the American Council of State Savings Supervisors.

For more information, contact Carter Breed  
Economic Development Coordinator

#### BUDGET ITEM

--- BUDGET TALKS BETWEEN CONGRESS AND ADMINISTRATION CONTINUE... Budget talks between the Administration and congressional leaders continued this week, although no significant breakthroughs were achieved. Early rounds of the discussions have focused on the need for new revenues, with the Administration ruling out broadly-based tax increases to reduce the deficit. However, Office of Management and Budget Director Richard Darman and other Administration officials have said that proposals to close tax loopholes might be acceptable.

Following a March 16th meeting, House Budget Committee Chairman Leon Panetta (D-CA) reiterated concerns over whether proposed Medicare cuts and many of the \$14.2 billion in higher revenues proposals submitted by President Bush would pass Congress. He again pointed out that many of the revenue proposals, such as extension of the Medicare payroll tax to all state and local government employees have been rejected in the past. Senate Finance Committee Chairman Lloyd Bentsen (D-TX) agreed, saying it would be "exceedingly difficult" to get the Administration's Medicare and revenue proposals through Congress.

Further negotiations on revenue proposals between the chairmen and ranking minority members of the tax-writing committees and the Administration will continue next week. In separate negotiations, the chairmen and ranking minority members of the budget committees plan to meet on March 17th and 20th to discuss foreign and domestic spending issues.

For more information, contact Carter Breed  
Economic Development Coordinator

## DEFENSE ITEM

--- BASE-CLOSING PROPOSAL APPROVED BY ARMED SERVICES COMMITTEE...The House Armed Services Committee this week defeated 3 resolutions which would have stalled the proposed list of unnecessary or obsolete military bases slated for closure under the base-closing plan.

If Congress does not pass a resolution of disapproval before April 24th, the plan to close ninety bases would go into effect.

For more information, contact Mark Schnabel  
Energy and Natural Resources Coordinator

## EDUCATION ITEMS

--- NATIONAL SERVICE LEGISLATION DRAWS CONTROVERSY...A House Education and Labor Committee hearing on a plan requiring students to perform public service work to qualify for student aid drew sharp criticism from those opposing mandatory service.

The legislation (H.R. 660), sponsored by Representative Dave McCurdy (D-OK), would provide a \$10,000 education voucher for each year of service. Opponents maintain that while they support efforts to encourage public service, they oppose making it mandatory for student aid recipients.

McCurdy and Senator Sam Nunn (D-GA), sponsor of the Senate companion measure, say that their proposal is designed to increase rather than restrict student aid availability. Nunn has indicated that he will accept three compromises to his bill, including:

- allowing students to perform community service work on weekends so they can be enrolled in college while fulfilling their commitment;
- allowing a certain number of students to attend college and perform public service work after graduation; and
- establish a program that would allow low-income students to qualify for education benefits beyond the \$10,000 a year called for in the plan if the student attends an expensive college.

--- LEGISLATION LIKELY TO ADDRESS NATION'S MATH/SCIENCE INADEQUACIES...Members of the House Science, Research and Technology Subcommittee, at a March 9th hearing on science education, indicated that they intend to pass legislation addressing the inadequacies of science and mathematics education in the United States.

Subcommittee chairman Doug Walgren (D-PA), has introduced a bill that would award four-year scholarships of \$5,000-a-year to an annual group of nearly 900 excellent science and math students. President Bush has a similar proposal. While the Education Department would run Bush's plan, however, those testifying before the Subcommittee identified the National Science Foundation (NSF) as the best agency to manage science educators.

The Walgren and Bush proposals would create congressional scholarships, but they differ significantly. Walgren's bill (H.R. 996) would cap grants at \$5,000 a year, half as much as Bush's. Bush would have each member of Congress pick one scholar, and the President would name 30 others. In Walgren's package, NSF would select one male and one female scholar from each congressional district.

--- HEARINGS CONTINUE ON VOCATIONAL EDUCATION ACT...The House Elementary, Secondary and Vocational Education Subcommittee continued this week with hearings on H.R. 7, legislation reauthorizing the Perkins Act.

Witnesses, primarily business and education leaders, promoted new and innovative approaches to vocational education. Those testifying acknowledged that innovation would be likely to cause the setaside program to suffer.

--- BUSH NOMINATES EDUCATION UNDERSECRETARY...President Bush announced March 10th that he has nominated Illinois School Superintendent Ted Sanders to be the undersecretary of the Department of Education.

If confirmed by the Senate, Sanders will succeed Linus Wright, who left the Department at the end of the Reagan administration to work for a Dallas job recruitment firm. Sanders, who has been the Illinois school superintendent since 1985, has also served as Nevada state school superintendent and in several positions within the New Mexico state education department. He is a native of Texas.

For more information, contact Lori Bounds  
Human Resources Coordinator

#### ENERGY ITEM

--- SENATE ENERGY APPROVES ANWR DRILLING BILL...On Thursday, March 16th, the Senate Energy and Natural Resources Committee approved a draft bill, S. 406, that would authorize oil and gas drilling on a portion of the Arctic National Wildlife Refuge on Alaska's North Slope.

Approval of the measure came after the Committee rejected an amendment by Sen. Tim Worth (D-CO) that would have delayed the decision for a year until a national energy plan could be developed.

"We have been studying energy policy in this Committee for 17 years," said Committee Chairman Bennett Johnston (D-LA) and "its about time we made some decisions."

The Senate Environment and Public Works Committee, which also claims jurisdiction over the bill, has yet to act on the measure.

For more information, contact Mark Schnable  
Energy and Natural Resources Coordinator

#### HOUSING ITEM

--- HOUSING POLICY DRAFT INTRODUCED IN SENATE...On Wednesday March 15th, Senators Alan Cranston (D-CA) and Alfonse D'Amato (R-NY), Chairman and

ranking minority member of the Senate Banking, Housing, and Urban Affairs Subcommittee on House and Urban Affairs, unveiled draft legislation recommending a major overhaul of the federal government's housing assistance program.

The package would create a \$3 billion program to assist in the creation of affordable housing. The federal money would be supplemented by funds from state or local governments, non-profit institutions or private enterprise.

The legislation also calls for increased spending for rental subsidies and a doubling of funds provided for homeless assistance. The bill would authorize about \$15 billion in FY 90 compared to slightly less than \$11 billion for current housing programs.

For more information, contact Mark Schnable  
Energy and Natural Resources Coordinator

#### HUMAN RESOURCES ITEMS

--- HHS SECRETARY SULLIVAN TESTIFIES BEFORE CONGRESS... Secretary of Health and Human Services Sullivan spent much of this week before Congress, laying out the broad outlines of his agenda.

Testifying before the House Ways and Means Committee and the House and Senate Budget committees, Sullivan indicated that unless Congress makes the \$5 billion in cuts that Bush proposes, Medicare spending will rise 14 percent. Sullivan said that he is concerned about the possibility of hospital closures resulting from Medicare cuts, but vowed to preserve access to care. He said that he will try to narrow the current gap between Medicare payments to urban and rural facilities.

Sullivan called AIDS a priority issue and stated that the most effective means of combatting the disease is through information about the consequences of high-risk behaviors. The Secretary said that a clean needle swapping program should be dealt with by local governments who would offer federal support for information, personnel and training. Sullivan's needle swapping proposal has drawn criticism from the White House and some in Congress.

--- INCREASE FOR PUBLIC HEALTH SERVICE AIDS BUDGET REQUESTED AT BUDGET PANEL HEARING... At a March 7th hearing of the House Budget Committee's panel on Human Resources, Rep. Henry Waxman (D-CA) and researchers, physicians and advocacy groups requested that Congress add \$575 million to the FY 90 Bush Administration AIDS budget. Such an increase would bring up the President's requested \$1.6 billion for AIDS to \$2.17 billion in FY 90.

The majority of the extra money would go to the Centers for Disease Control (CDC) to bolster education of minorities, college students and women of childbearing age about AIDS. The National Institutes of Health would get more money for research and personnel. The National Institute on Allergy and Infectious Diseases had requested 133 new staff slots; OMB has approved only 49. Other funds would go to combat drug abuse and study treatment methods, including cheaper ways to deliver care to AIDS patients. Waxman has also requested \$30

million to help place babies with AIDS abandoned in hospitals in foster homes, \$30 million to keep paying for AZT for indigent AIDS patients, \$50 million to pay for home health and nursing home care for AIDS patients and \$50 million for long term counseling of AIDS infected people.

Waxman also requested \$500 million more to fund five Medicaid initiatives. He wants to expand coverage to pregnant women and infants, poor children, the mentally retarded, the frail elderly and the terminally ill.

--- SENATE PANEL REPORTS CHILD CARE PACKAGE...On March 15th, the Senate Labor and Human Resources Committee passed S.5, the Act for Better Child Care Services (ABC), legislation allocating \$2.5 billion for child care programs in FY 90.

The bill was passed 11-5 after an amendment was adopted prohibiting child care providers from using federal funds for religious purposes. The amendment also makes clear that organizations cannot discriminate based on religion at any time. Members also approved an amendment increasing Head Start funding by \$250 million annually.

Funding provided for by S.5 would be distributed on a sliding fee scale based on need. Parents would be able to choose child care from school-based, private and nonprofit sites. The ABC bill would:

- establish grants for communities wishing to start after school child care programs;
- make grants available for businesses with child care; and
- provide funding for services such as referral programs, health and safety training for child care workers and state licensing and inspection requirements.

A Floor date has not been set for consideration of S.5, but it is likely to be influenced by the Administration's child care proposal introduced this week. The Bush plan calls for a tax credit of as much as \$1,000 per child under age four in low-income families. The Administration estimates 3.5 million people would be eligible for the credit. In addition, the President supports the \$250 million increase in Head Start funding if it is targeted for day care services.

The Education and Labor Committee held hearings on the House version of the bill (H.R. 3) last week. Additional hearings will be held with a markup unlikely before May.

For more information, contact Lori Bounds  
Human Resources Coordinator

#### LABOR ITEM

--- HOUSE COMMITTEE PASSES MINIMUM WAGE BILL...On Tuesday, March 14th, the House Education and Labor Committee approved a bill, H.R. 2, which would increase the minimum wage from \$3.35 an hour to \$4.65 an hour over a three year period.

The vote to pass the bill was along strict party lines, 22-13.

The vote came in spite of a warning by Secretary of Labor Elizabeth Dole that President Bush would veto any increase over his proposed increase in the minimum wage.

The President's proposal calls for a 90-cent increase to \$4.25 an hour over three years coupled with a six-month sub-minimum training wage equal to 80 percent of the minimum wage for new hires.

The Senate Labor and Human Resources Committee passed a bill last week similar to H.R. 2 and each House is expected to vote on their respective bills this week.

For more information, contact Mark Schnabel  
Energy and Natural Resources Coordinator

#### TAXATION ITEMS

--- TAX EXEMPTION FOR STATE AND LOCAL BONDS SAFE FOR NOW...Speaking to reporters following a meeting of the National League of Cities, tax counsel for the Senate Finance Committee and the House Ways and Means Committee said they doubted that Congress would alter the tax-exempt status afforded state and local bonds. In the wake of a Supreme Court decision last year (South Carolina v. Baker) in which the Court upheld the federal government's right to tax such bonds, many had feared that the tax exemption would be re-examined. The committee aides, while acknowledging the significant revenue loss the exemption causes the government, said that bond financing revenues are generally well spent by state and local governments.

--- STARK INTRODUCES BILL TO RAISE CIGARETTE TAX...On March 15th, Rep. Pete Stark introduced a bill (H.R. 1452) which would raise the federal excise tax on cigarettes from 16 cents to 41 cents per pack. Stark said his bill would raise \$4 billion annually for the federal government.

For more information, contact Carter Breed  
Economic Development Coordinator

## THE WEEK AHEAD

### \* FY 90 BUDGET MARKUP

The Senate Budget Committee will begin to mark up the concurrent budget resolution for FY 1990. 10am SD-608 Dirksen Bldg., March 17.

### \* SAVINGS AND LOAN CRISIS

The Financial Institutions Subcommittee of the House Banking Committee will continue hearings to examine the problems in the savings and loan industry and the potential threat to the insurance fund protecting S&L deposits. 9am 2128 Rayburn Bldg., March 21 and 22.

### \* HIGH DEFINITION TV

The Science, Research and Technology Subcommittee of the House Science, Space and Technology Committee will hold a hearing on the federal role in fostering a domestic High Density TV (HDTV) industry. 9:30am 2318 Rayburn Bldg., March 22.

### \* DROUGHT RELIEF

The Wheat, Feed Grains and Soybeans Subcommittee of the House Agriculture Committee will hold a hearing to review implementation of the 1988 drought relief legislation. Also, Members have indicated they will discuss the possibility of extending the assistance to winter wheat planted in the fall of 1988, which is now undergoing severe stress due to drought and other adverse conditions. 9:30am, 1302 Longworth Bldg., March 23rd.

### \* GRAIN QUALITY (field hearing)

The Agricultural Research & General Legislation Subcommittee of the Senate Agriculture, Nutrition and Forestry Committee will hold a field hearing on the results of the Office of Technology Assessment study on U.S. grain quality. 10am, Huron, SD, March 22nd.

### \* HEALTH EFFECTS OF AIR POLLUTION

Environmental Protection Subcommittee of Senate Environment & Public Works Committee (Chairman Baucus, D-MT) will hold a hearing on the health effects of air pollution. 10am SH-216 Hart Bldg. April 18.

### \* COASTAL BARRIER RESOURCES SYSTEM

Fisheries & Wildlife Conservation & the Environment Subcommittee (Chairman Studds, (D-MA) and Oceanography Subcommittee of House Merchant Marine & Fisheries Committee (Chairman Hertel, (D-MI) will hold an oversight hearing on the Dept. of Interior's report to Congress on the Coastal Barrier Resources System. 10am 1334 Longworth Bldg. March 22.

## TEXAS THIS WEEK:

The Texas House last Wednesday tentatively approved a \$1.2 billion package of bookkeeping measures and paper transactions to help balance the state budget. The bill would help close the anticipated budget shortfall by allowing Comptroller Bob Bullock to raise 1990-91 general revenue estimates. In related House action, a bill that would free \$260 million for the Legislature to spend this session won preliminary approval. The \$260 million stems from money that was being held from a lawsuit that challenged the state's taxation of property and casualty insurance.....The worst fire in Big Bend National Park's 45-year history was considered under control last Tuesday. Firefighters in the 740,000 acre park contained the 615 acre blaze after several days of burning. Meanwhile, the Texas Forest Service has ordered a ban on all outside burning because of 208 fires that have consumed more than 45,000 acres statewide.....Roger Wallace, the deputy director for business development at the Texas Department of Commerce, has taken a position at the U.S. Department of Commerce. He is going to be deputy assistant secretary to the International Trade Administration, the arm of the Commerce Department that promotes exports and investments.....A record number of bills have been filed in both the state House and Senate. At the close of deadline last Friday the total this session was 3,062 in the House and 1,503 in the Senate.....A plan to provide venture capital to small businesses has been proposed by state Representative Barry Connelly (R-Houston) and Rob Mosbacher, the chairman of the Texas Board of Human Services. The plan calls for state funding of \$5 million in small business loans through Texas banks and financial institutions.....The Southern Pacific Transportation Co. has agreed to a \$175,000 settlement with the state over an acid spill in the Medina River that killed thousands of fish in 1985.....Common Cause, the League of Women Voters, National Organization for Women, Texas Consumer Association and American Association of Retired Persons have endorsed a proposal by state Representative David Hudson (D-Tyler) to more than triple state legislators' salaries.....The Texas Senate voted to lengthen the state's compulsory school attendance age by two years, requiring students to remain in school from age 6 to their 17th birthday.....The Senate Committee on Health and Human Services recommended to the full Senate a bill that would require motorcyclists to wear helmets.....Texas Railroad Commissioner Kent Hance is supporting legislation that would exempt new oil and gas wells in new fields from state taxes. Hance said the legislation would encourage exploration and energize a sluggish Texas industry.



## THE STATE OF TEXAS OFFICE OF STATE-FEDERAL RELATIONS

WASHINGTON ACTION ITEMS.....March 3, 1989

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### AGRICULTURE ITEMS

--- CALIFORNIAN NAMED DEPUTY SECRETARY OF USDA...Jack Parnell, the director of the California Department of Food and Agriculture, was appointed by President Bush February 28th to be the Deputy Secretary of the U.S. Department of Agriculture. In addition to his government service, Parnell is a cattleman, banker and livestock auctioneer. He replaces Peter Myers.

--- YEUTTER TESTIFIES ON RURAL DEVELOPMENT, BUDGET CONSTRAINTS... Secretary of Agriculture Clayton Yeutter testified March 1st before the House Appropriations Subcommittee on Rural Development and Agriculture. In his written testimony and in response to questions from Members, Yeutter said rural communities should look to the federal government for guidance and leadership in the area of rural development but not to expect USDA to pour billions of dollars into programs. He urged rural communities to take the initiative to diversify their ailing economies and said he was working with HUD Secretary Jack Kemp on a plan to coordinate the various economic development programs of the federal government.

Yeutter also said that his staff was conducting economic analyses on various options for achieving the \$1.9 billion in farm program savings called for in the budget proposal submitted by President Bush, and he indicated it would be several weeks before details of a plan would be ready. Yeutter emphasized that proposed cuts would be ones that would not reduce the negotiating leverage of the U.S. in the ongoing negotiations on the General Agreement on Tariffs and Trade (GATT).

--- YEUTTER URGES BUDGET COMMITTEE TO NOT LIMIT EEP...In testimony before the House Budget Committee on February 28th, Secretary of Agriculture Clayton Yeutter urged Members to not put an appropriations limit on the Export Enhancement Program (EEP). Yeutter said the EEP has made a significant contribution to our strategy of challenging those competitor nations which use trade-distorting subsidies and for securing agreements on agricultural reform during the Uruguay Round of GATT negotiations. If an appropriations limit were put on the EEP, competitor nations would know how much we were willing to spend to compete with their export subsidy programs, and might decide they could afford to outspend us in their bid for world-market share. However, if left uncapped, the EEP would be a more formidable tool because the competitors wouldn't know from the outset how much they would have to spend to outbid us.

Yeutter's testimony drew a complaint from the Agriculture Commissioner for the European Community (EC), Ray MacSherry. MacSherry issued a statement in Brussels saying that Yeutter had called for supplementary weapons to help force the EC into accepting U.S. proposals on reforming agricultural trade. He also complained that Yeutter's statements were a departure from the more conciliatory tone of U.S.-EC talks held February 17th and 18th.

--- NGA PASSES RESOLUTIONS SUPPORTING RURAL DEVELOPMENT, GROUNDWATER PROTECTION...At the mid-winter meeting of the National Governors' Association (NGA), several resolutions and amendments to NGA policy on agricultural and rural issues were passed. One policy amendment urges the Congress to create within the U.S. Department of Agriculture a new Agricultural Research Commercialization Corporation. The new Corporation would help promote the development, commercialization and marketing of new agricultural products in an effort to provide new uses and new markets for agricultural products.

The Governors also approved a resolution urging Congress to develop and pass a comprehensive rural development program, along the lines of that contained in the 1988 Omnibus Trade Bill. Although the resolution does not recommend specific legislation, it does call for support in such areas as job training, education, infrastructure, health, transportation and tax incentives.

In the area of groundwater, NGA called for federal monitoring of groundwater quality, coupled with state groundwater management plans to reduce pollution. Additionally, their new policy calls for revisions in federal farm and tax policy to reduce nonpoint pollution by nitrates and pesticides.

For more information, contact Glen Hodges  
Agriculture Coordinator

#### BANKING ITEMS

--- OMB DIRECTOR DEFENDS THRIFT RESCUE PLAN COST ESTIMATES...Testifying before the Senate Banking Committee on March 2nd, Office of Management and Budget Director Richard Darman defended the Bush Administration's cash-flow projections associated with its proposed thrift rescue plan. Darman also indicated that a \$10 billion "fudge factor" had been built in to the \$50 billion financing total to offset the possibility of rising interest rates.

Current OMB cost estimates assume that interest rates on FSLIC notes will fall from 9.5 percent in FY 1989 to 4.0 percent in FY 1994. In addition,

deposit growth at FSLIC-insured institutions is estimated at 7.2 percent annually through 1994, and growth at FDIC-insured institutions at 6.9 percent annually. In response to concerns about the assumptions raised by Banking Committee Chairman Don Riegle (D-MI), Darman conceded that "the interest rate forecast for the out years is optimistic."

Darman also addressed the effects of reduced deposit growth on the cost projections. In earlier testimony on March 1st, Federal Home Loan Bank Board Chairman M. Danny Wall noted that thrift deposits decreased \$4 billion to \$5 billion in February and \$7 billion in January. Darman indicated that a deposit growth rate of significantly less than 7.2 percent - specifically, 4.0 percent - would indicate that the thrift industry is in serious decline. In that case, Treasury outlays would be increased by \$1.2 billion through 1994 and \$4.7 billion through 1999. However, the Administration's deposit growth forecasts are based on historical data from the past 10 years. If Congress writes a responsible bill and it is enacted, there will be a return of depositor confidence in the industry, Darman said.

Darman was again forced to defend the off-budget system of financing the rescue plan. In response to claims that the proposed financing system is more costly than direct Treasury financing, Darman argued that the possible triggering of Gramm-Rudman automatic cuts which could result from direct and immediate on-budget "scoring" of Treasury financing could cause problems in the financial markets and ultimately prove more costly.

--- ADMINISTRATION DROPS INSURANCE PREMIUM PLAN...Regulatory officials confirmed on February 27th that the Bush Administration has withdrawn a controversial provision in the proposed thrift industry rescue plan. The provision would have tied the level of bank deposit insurance premiums to the combined reserves of the bank and thrift insurance funds. The FDIC would have been granted authority to hike commercial bank premiums if the combined funds' reserves fell below a 1.2 percent reserves to deposits ratio. Banking officials had criticized the provision from the outset, saying that it violated the Administration's pledge not to commingle the thrift and bank insurance funds.

For more information, contact Carter Breed  
Economic Development Coordinator

#### COMMUNITY DEVELOPMENT ITEM

--- KEMP PREDICTS ENACTMENT OF ENTERPRISE ZONE LEGISLATION...Speaking before the Economic Development Committee of the National Governors' Association, Housing and Urban Development Secretary Jack Kemp predicted that Congress will pass legislation implementing the enterprise zone program this year. Thirty-seven states currently have enterprise zone programs, which provide financial incentives to businesses to stay in or relocate to economically depressed areas. A bill introduced by Rep. Charles Rangel (D-NY), H.R. 6, would provide such relief on the federal level. Kemp indicated that he expects positive action on the Rangel bill during this session of Congress.

For more information, contact Carter Breed  
Economic Development Coordinator

## ENERGY ITEMS

--- GOVERNORS ENDORSE ENERGY, CLEAN AIR PLANS...The National Governors' Association, during their annual winter meeting in Washington last weekend, endorsed new policies for dealing with the nation's energy and clean air needs.

The NGA's Energy and Environment Committee, of which Texas Governor Bill Clements is a member, put the finishing touches on a comprehensive energy policy statement at the winter meeting after months of negotiations between representatives of governors from producing and consuming states. The energy policy includes an investment tax credit on exploration and development expenditures for marginal or "stripper" wells and for secondary or tertiary enhanced recovery projects; expensing of geological and geophysical costs; repeal of the well transfer rule; and elimination of exploration and development expenditures as alternative minimum tax "preference" items.

The clean air policy toughens previous ozone and carbon monoxide nonattainment strategies by calling for Environmental Protection Agency adoption, rather than consideration, of additional motor vehicle control measures such as gasoline evaporation standards and more stringent regulations on trucks.

--- WATKINS, DERWINSKI CONFIRMED: BENNETT NEXT WEEK...Admiral James D. Watkins and Edward J. Derwinski were confirmed by the Senate this week to be President Bush's Secretary of Energy and Secretary of Veterans Affairs, respectively.

Both were confirmed unanimously by the Senate.

William J. Bennett, nominated by President Bush to be the Director of the Office of National Drug Control Policy, underwent hearings this week in the Senate Judiciary Committee, where a vote is expected next week.

For more information, contact Mark Schnabel  
Energy and Natural Resources Coordinator

## HUMAN RESOURCES ITEMS

--- SENATE CONFIRMS SULLIVAN AS HEALTH AND HUMAN SERVICES SECRETARY...The Senate voted overwhelmingly Wednesday to confirm Louis W. Sullivan, M.D., as Secretary of the Department of Health and Human Services.

Sullivan was confirmed 98-1 with Senator Jesse Helms (R-NC) casting the lone nay vote. Helms indicated that he did not think Sullivan's position on abortion was clear.

--- HOUSE SUBCOMMITTEE APPROVES PARENTAL LEAVE MEASURE...On February 28th, the House Education Committee's Labor-Management Relations Subcommittee gave approval to legislation (H.R. 770) permitting employees to take time off to be with newborn or ill children without jeopardizing their jobs.

The Subcommittee passed the bill on a 11-5 vote after defeating several Republican amendments. The amendments would have weakened several provisions of the bill by making the measure applicable only to businesses with more than 500 workers; by exempting part-time workers; by exempting state and local government

workers; and by limiting the percentage of a firm's workers that could be on leave at the same time.

The full Education and Labor Committee is scheduled to take up the bill next week. As passed by the Subcommittee, H.R. 770 would require companies employing more than 50 workers to allow employees to take as much as 10 weeks of unpaid leave to care for children or ailing parents. Workers would also be permitted to take up to 15 weeks of unpaid leave to recuperate from a serious illness. The highest paid 10 percent of a company's workforce would not be covered by the bill.

--- COMMISSION RECOMMENDS INCREASE IN MEDICARE PAYMENTS TO HOSPITALS... Testimony by the Prospective Payment Assessment Commission (ProPAC) before the House Ways and Means Subcommittee on Health recommended an average Medicare payment increase of 4.9 percent in FY 90 for hospitals serving Medicare patients.

The Subcommittee hearing on March 1st reviewed the prospective payment system, which pays hospitals a set fee for each Medicare patient based on the patient's illness. The Chairman of ProPAC, the body designed to oversee the prospective payment system and to make recommendations to Congress, told the Subcommittee that the Commission recommends a five percent increase for hospitals in large, urban areas; a 4.5 percent increase for hospitals in smaller urban areas; and a 5.6 percent increase for rural hospitals.

--- STATE IMMIGRATION FUNDS ENDANGERED BY KENNEDY LEGISLATION... Legislation introduced March 1st by Senators Edward Kennedy (D-MA) and Robert Kasten (R-WI) would shift \$150 million in federal State Legalization Impact Assistance Grants (SLIAG) to support the processing and resettlement of Soviet Jews.

Kennedy's legislation is designed to address the problems being experienced by several U.S. cities (Los Angeles, Boston, New York and Chicago) from an influx of Soviet immigrants. The bill proposes that the ceiling on granting political refugee status to Soviet emigres during FY 89 be raised from 25,000 to 30,000. To fund the processing and resettlement of the immigrants, the Kennedy Kasten proposal would shift \$150 million in SLIAG funds to the State Department's emergency resettlement fund to assist those states most heavily impacted by the Soviet influx.

SLIAG is the program established under the Immigration Reform and Control Act (IRCA) to reimburse states for the cost of legalizing aliens. The Administration has proposed to rescind \$300 million of the SLIAG fund in FY 90 and again in FY 91, claiming that states are not meeting the anticipated need for the SLIAG dollars. The states counter that the Department of Health and Human Services' tardiness in finalizing SLIAG regulations along with a burdensome and inconsistent state cost reporting requirement have combined to produce FY 89 SLIAG cost estimates that are deceptively low.

Within the next few weeks, the Administration is expected to submit to Congress a proposal permitting the President to admit up to 30,000 additional people a year for humanitarian or foreign policy reasons. However, the Administration will continue the practice of requiring immigrants to finance their own processing and resettlement.

--- JUSTICE DEPARTMENT SENDS SOME RELIEF TO THE SOUTH TEXAS REFUGEE CRISIS...The Department of Justice announced February 24th that it would devote \$3 million of its Community Relations Service (CRS) funds to help alleviate the problems being experienced in South Texas as a result of the Central American refugee influx.

The CRS program is designed to provide aid to areas which experience an influx of Cuban and Haitian refugees. The \$3 million which was sent to South Texas was identified as unobligated, surplus funds. Senator Lloyd Bentsen (D-TX) and Representative Solomon Ortiz (D-TX) have introduced legislation giving CRS permanent authority to intervene in the Central American refugee problem.

For more information, contact Lori Bounds  
Human Resources Coordinator

### LABOR ITEMS

--- BUSH PLANS TO CONTINUE TRADE ADJUSTMENT ASSISTANCE PROGRAM...The Office of Management and Budget has indicated that plans to terminate the Trade Adjustment Assistance (TAA) Program have been scrapped. The program had faced elimination in President Reagan's budget.

TAA provides job training and extended unemployment insurance benefits to workers displaced because of increased foreign competition. Last year's Trade Bill extended eligibility for TAA benefits to oil and gas workers laid off by exploration or drilling companies, with retroactive benefits available to those terminated after September 30, 1985.

Texas has received approximately \$10.5 million under this program since 1985, with 345 companies certified for employee applications and 150 more in the process. Estimates indicate that up to 40,000 Texans may be eligible for the program.

--- BUSH INTRODUCES MINIMUM WAGE...President Bush's anticipated proposal to increase the minimum wage was made public this week as Secretary of Labor Elizabeth Dole presented the proposal to the Senate Labor and Human Resources Committee on Friday.

The President's proposal calls for an increase in the hourly wage to \$4.25 over three years and provides for a six-month training wage for "new hires" at the current rate of \$3.35 an hour.

As expected, Bush's proposal is more modest than minimum wage legislation (S. 4, H.R. 2) offered by Sen. Edward Kennedy (D-MASS) and Rep. Augustus Hawkins (D-CA), the Chairmen of the Senate and House Labor Committees. The Kennedy-Hawkins bills would increase the minimum wage to \$4.65 an hour over three years.

Both the House and Senate Labor Committees have markups scheduled for next week on minimum wage legislation.

For more information, contact Mark Schnabel  
Energy and Natural Resources Coordinator

## SUPER COLLIDER ITEM

--- FIRST APPROPRIATIONS HEARING ON THE SUPERCONDUCTING SUPER COLLIDER... On Tuesday, February 28th, the House Appropriations Subcommittee on Energy and Water Development held its first hearing on the Department of Energy's FY 90 request for general science research. Included in that request is \$250 million for the SSC. The Committee, while generally supportive of the SSC initiative, expressed its concern with finding revenue to build the project. Congressman Jim Chapman (D-TX) brought to the attention of the Subcommittee that high energy physics has provided measurable, beneficial advances for our nation and that there is no reason to believe that the SSC would not continue to do so. Congressman Chapman introduced the chairman of the Texas National Research Laboratory Commission, Thomas W. Luce, to the Subcommittee during the hearings.

--- HOUSE SUBCOMMITTEE TO REVIEW FOREIGN COST SHARING PROVISIONS IN BUILDING THE SSC... Congressman Ralph Hall (D-TX) and Congressman Joe Barton (R-TX) introduced a bill in the House on March 1st to set limits on foreign participation in the Collider. Congressman Hall, Chairman of the House Science, Space, and Technology Subcommittee on International Scientific Cooperation, has scheduled a hearing for March 8th on his and Congressman Barton's bill. In addition to Department of Energy witnesses, Thomas Luce is scheduled to testify. The hearing begins at 10:00 a.m. in room 2318 of the Rayburn House Office Building.

For further information, contact Henry Gandy  
Director

## TAXATION ITEM

--- GREENSPAN REPEATS SUPPORT OF GAS TAX... On March 2nd in testimony before the House Budget Committee, Federal Reserve Board Chairman Alan Greenspan reiterated his support for an increase in the federal gasoline excise tax. Greenspan indicated that he favored the increase as a method of enhancing U.S. energy security, saying that it would encourage conservation and reduce dependence on foreign oil supplies. However, Greenspan indicated that he does not support higher gasoline taxes as a source of revenue to be earmarked for deficit reduction.

For more information, contact Carter Breed  
Economic Development Coordinator

## TRADE ITEMS

--- USTR DENIES MOVE TOWARD MANAGED TRADE WITH JAPAN... On March 2nd, United States Trade Representative Carla Hills denied reports that the United States has shifted its trade policy toward Japan from a position of advocating free trade to one of managed trade. She indicated that she was "four-square behind free trade", but she did acknowledge that managed trade proposals were under consideration. Hills and Commerce Secretary Robert Mosbacher testified before the Oversight Subcommittee of the House Energy and Commerce Committee.

Hills also fielded questions from members, including Rep. John Bryant (D-TX), concerned about unfair trade practices in the telecommunications industry. Under a provision in the Omnibus Trade and Competitiveness Act of

1988, the USTR is responsible for identifying countries which engage in unfair telecommunications trade practices toward the U.S. In announcing a preliminary list of countries last week, Hills did not identify Japan as one of the offending partners.

--- BILL TO AUTHORIZE US/JAPAN TRADE AGREEMENT INTRODUCED...Rep. Phil Crane (R-IL) recently introduced legislation, H.R. 1051, which would authorize the Administration to negotiate a free trade agreement between the United States and Japan, much like the recently approved U.S./Canada Free Trade Agreement. A similar bill, S. 292, was introduced in the Senate by Sen. Max Baucus (D-MT) on January 31st. Crane's statement noted that Japan is the United States' second largest trading partner and that the development of a long-term trade relationship between the two countries is of paramount importance. The bill is cosponsored by Rep. Sam Gibbons (D-FL), Chairman of the Ways and Means Subcommittee on Trade.

For more information, contact Carter Breed  
Economic Development Coordinator

## THE WEEK AHEAD

### \* MEDICARE OVERSIGHT

Medicare and Long Term Care Subcommittee (Senate Finance Committee) will hold an oversight hearing on the Medicare program. 10am SD-215 Dirksen Bldg, March 3

### \* EDUCATION APPROPRIATIONS

Labor, Health and Human Services, Education & Related Agencies Subcommittee (House Appropriations Committee) will hold hearings to review the FY 90 budget request for programs under its jurisdictions. 10am and 2pm 2358 Rayburn Bldg., March 7,8 & 9

### \* CHILD CARE

House Education and Labor Committee will hold hearings on various child care proposals. 9:30 am 2175 Rayburn, March 6

### \* VOCATIONAL EDUCATION ACT REAUTHORIZATION

Elementary, Secondary & Vocational Education Subcommittee (House Education and Labor Committee) will hold hearings on legislation reauthorizing the Carl Perkins Vocational Education Act. 2175 Rayburn, March 7th, 10am and 9th, 9:30am

### \* HANDICAPPED EDUCATION

Select Education Subcommittee (House Education and Labor Committee) will hold an oversight hearing on the reauthorization of discretionary programs under the Education of the Handicapped Act. 9:30am 2257 Rayburn, March 7

### \* FAMILY AND MEDICAL LEAVE ACT OF 1989

House Education and Labor Committee will mark up the Family and Medical Leave Act of 1989. 10am 2175 Rayburn, March 8

### \* HEALTH BENEFITS

Health and the Environment Subcommittee (House Energy and Commerce Committee) will hold a hearing on health benefits. 9:45am Room TBA, March 9

### \* TRAUMA CARE

Health and the Environment Subcommittee (House Energy and Commerce Committee) will hold a hearing on trauma care. 9:45am Room TBA, March 10

### \* SAVINGS AND LOAN CRISIS

The Senate Banking, Housing and Urban Affairs Committee will continue hearings to examine the problems in the savings and loan industry and the potential threat to the insurance fund protecting S&L deposits. 10am SD-538 Dirksen Bldg, March 7,8,9,10.

### \* SPACE SCIENCE BUDGET

The Science, Technology and Space Subcommittee of the Commerce, Science and Transportation Committee will hold hearings on NASA's space science and applications budget for FY 90. 9:30am SR-253 Russell Bldg, March 11.

\* BILATERAL TRADE AGREEMENTS

The International Trade Subcommittee of the Senate Finance Committee will hold a hearing on the possibility of future bilateral trade agreements focusing on the relationship between such agreements and the General Agreement on Tariffs and Trade (GATT). 9:30am SD-215 Dirksen Bldg, March 13.

\* SAVINGS AND LOAN CRISIS

The Financial Institutions, Regulation and Insurance Subcommittee of the House Banking Committee will hold hearings to examine the problems in the S&L industry and the potential threat to funds protecting deposits. Time and dates TBA, 2128 Rayburn Bldg, Week of March 6.

\* ARTIC NATIONAL WILDLIFE REFUGE

Senate Energy & Natural Resources Committee will hold a hearing on legislation S. 406 to allow oil and gas leasing in the Artic National Wildlife Refuge. 9:30am SD-366 Dirksen Bldg. March 6th.

\* MINIMUM WAGE

Labor Standards Subcommittee of House Education & Labor Committee will hold a hearing, followed by a markup on legislation H.R. 2 to amend the Fair Labor Standards Act to restore minimum wage to a fair and equitable rate. 10am 2261 Rayburn Bldg. March 9th

\* LABOR & HUMAN RESOURCES

Minimum Wage - Full Committee markup. Senate Labor & Human Resources Committee will mark up legislation S. 4 to increase the minimum wage. 10am SD-430 Dirksen Bldg. March 8th.

\* SUPERCONDUCTING SUPER COLLIDER

House Science and Technology's International Scientific Cooperation Subcommittee, chaired by Rep. Ralph Hall (D-TX), will hold a hearing on H.R. 1195, regarding non-federal funding sources for the SSC Wednesday, March 8th, 10am, 2318 Rayburn.

## TEXAS THIS WEEK:

The Texas Legislature has overwhelmingly approved the first tax bill of the session, taking steps toward curbing an estimated revenue shortfall for the 90-91 state budget. The House and Senate approved a bill that would restructure the state corporate franchise taxes, raising \$279 million over a three year period, \$90 million in revenue this year will be put toward the 90-91 budget. Because of the March 15 deadline to send out tax notices under the provisions of the new law, lawmakers were rushing to get the bill signed by Governor Clements .....The House Business and Commerce Committee has finished work on 271 proposed amendments to House Bill 1, the worker's compensation reform bill. The House is expected to vote on the 190-page bill this Tuesday. The aim of the legislation is to curb the escalating costs of workers' compensation insurance premiums, which have business owners pressing the Legislature for change. The bill would expand the oversight and regulatory powers of the state's administrative agency for workers' compensation, raise some benefits for injured workers and move the decisions of disputed claims to an administrative process.....House Speaker Gib Lewis has endorsed a plan that would allow counties to relieve jail overcrowding with a voter-approved half-cent sales tax. The local-option tax will be included in a package of criminal justice reform legislation being worked out by key lawmakers.....Representative Al Granoff (D-Dallas) has filed a bill that would close a legal loophole that allows possession of small quantities of anabolic steroids and provide stiffer penalties for illegally dispensing of the drug.....State Board of Insurance members, Edwin "Jack" Smith and David Thornberry announced that they would resign from the embattled State Board of Insurance. The agency has been under fire since the October failure of Dallas-based National County Mutual Fire Insurance Co. It was the largest property and casualty insurance company failure in the state's history.....The Texas Banking Department says they will urge federal regulators to adopt specific measures which would give "failing but salvageable" banks financial and non-financial aid from the Federal Deposit Insurance Corporation. Supporters of the proposal say it would give all problem banks, except those suffering mismanagement and fraud, better odds at survival.....The U.S. Supreme Court has allowed Texas to intervene in a multi-million-dollar dispute with New York State over unclaimed money. Texas was allowed to intervene in a case between Delaware and New York over dividend and interest payments that have no known owner. Texas Attorney General Jim Mattox says payments originating from companies or government bodies located in Texas should be paid to Texas.....A Senate committee last week approved a bill that will keep West Texas skies dark. The bill would authorize counties within 57 miles of U.T.'s McDonald Observatory to adopt ordinances regulating outdoor lighting.....Senator Bob McFarland (R-Arlington) has sponsored a bill that is intended to shift regulatory authority for protecting wells, underground water tables and aquifers from the federal government to the state. The bill would create a \$80 to \$100 million-a-year state "superfund" to clean up existing and future contamination from leaking fuel storage tanks.....The Texas House has appointed a nine member committee to begin reviewing the legal requirements for redistricting. On April 1, 1991 the Texas Legislature will have 60 days to redraw district lines for the 150 Texas House seats, 31 Texas Senate seats, 15 Board of Education slots and the Texas Delegation to the U.S. Congress.....Senator Hugh Parmer (D-Fort Worth) has filed a bill that would allow the Texas Department of Agriculture to declare a pesticide unsafe. The manufacturer would have 30 days to file a protest and have a hearing. If the pesticide couldn't be proved safe, it could no longer be used. The current law

requires that a pesticide be proved unsafe before it is banned.....The Senate Education Committee has approved legislation to set up a law school at Texas A&I University and make Corpus Christi State University a four year institution beginning in 1994.....The Senate State Affairs Committee last Monday approved a bill to make it illegal to operate a pickup or open flatbed truck at a speed greater than 15 miles per hour with a child younger than 12 years old riding in the bed.....Two bills that would prohibit a candidate from seeking two or more offices in the same election will be reviewed by the House Elections Committee.....Senator Tati Santiesteban (D-El Paso) has introduced a bill that would set aside portions of several Texas rivers for protection from dams and channeling. Santiesteban, chairman of the Senate Natural Resources Committee, said he does not expect the bill to be voted on until later this month.....Lady Bird Johnson was honored last Wednesday by the Legislature as a champion of wildflowers and the environment. Mrs. Johnson received standing ovations in separate House and Senate ceremonies.....State Representative Jim Rudd is proposing that a new state agency be created to take over the child-support enforcement program. Rudd, chairman of the House Appropriations Committee, envisions a computer system that would maintain files on delinquent fathers who owe child support, and give state judges more direct supervision of the cases.....A state appeals court judge has set aside the 1976 murder conviction of Randall Dale Adams, who was convicted of killing a Dallas policeman. Adams' case was dramatized in the movie "The Thin Blue Line".....Former UT System regent Jess Hay, Peter O'Donnell Jr. and others representing the Texas Foundation for Higher Education emphasized to Senate and House committees that an increase of at least \$918.7 million in higher education funding is necessary for Texas to continue winning "trophies" such as the superconducting supercollider and Sematech.....The Senate Education Committee has approved three bills to reduce Texas' high dropout rate. Senator Gonzalo Barrientos (D-Austin), who is sponsoring a package of 18 bills to keep Texas children in school, said it costs more to send someone to state prison in Huntsville than to Harvard University.....Representative Ric Williamson (D-Weatherford) is helping Decatur Elementary School with a resolution to make the Guadalupe Bass, the State Fish. The fish is endorsed by state Parks and Wildlife.....The national Centers for Disease Control, through the Texas Department of Health has awarded \$200,000 in federal grants to six Texas AIDS-prevention organizations.....The House Administration Tax Subcommittee left pending a request from Representative Kent Grusendorf (R-Arlington), calling for federal legislation for a state sales tax deduction on federal taxes.....In a joint meeting, the House Human Services and Public Health budget and oversight subcommittees were told that Texas' social services could lose more than \$2.4 billion in federal funding if the legislature fails to come with an additional \$350 million during the next two years. Representatives of the Texas Department of Human Services, Department of Health, and Department of Mental Health and Mental Retardation said the additional costs are caused by revisions in federal programs.....Sam Barshop, chairman of La Quinta Motor Inns Inc., was elected a vice chairman of the UT System Board of Regents last Thursday. The Board Elected Louis Beecherl Jr. of Dallas as Chairman and Bill Roden of Midland as another vice chairman. New Board members are Tom Loeffler of San Antonio, Robert Cruikshank of Houston and Dr. Mario Ramirez of Rio Grande City.

WILLIAM P. CLEMENTS, JR.  
GOVERNOR



HENRY M. GANDY  
DIRECTOR

## THE STATE OF TEXAS OFFICE OF STATE-FEDERAL RELATIONS

WASHINGTON ACTION ITEMS.....February 24, 1989

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### AGRICULTURE ITEMS

--- FEDERAL CROP INSURANCE HEARING SCHEDULED FOR LUBBOCK...On Tuesday, March 7th, a field hearing of the Commission for the Improvement of the Federal Crop Insurance Program will be held in Lubbock, Texas at the Lubbock Plaza Hotel, 3201 South Loop 289. The hearing will begin at 10:00 am and will be held in the Arlington Room. The Commission will be holding numerous hearings throughout the country over the next two months before issuing its report on ways to improve the federal crop insurance program. The Lubbock hearing is the only one scheduled to be held in Texas.

House Agriculture Committee Chairman de la Garza (D-TX) is urging farmers to give serious consideration to crop insurance this year, as it is unlikely that Congress would be able to pass another massive disaster relief bill due to severe budgetary constraints. De la Garza is also urging farmers and other interested parties to attend and participate in the field hearings being held by the Crop Insurance Commission. Persons interested in testifying at the hearings should contact: Kellye Eversole, Executive Director, Commission for the Improvement of the Federal Crop Insurance Program, 1255 23rd Street, N.W., Suite 830, Washington, D.C. telephone 202/887/6700 or telefax 202/887/0149. Copies of testimony must be delivered to the above address by 5:00 pm, Friday March 3rd for witnesses wishing to testify at the Lubbock hearing. Witnesses should arrive at the Lubbock Plaza by 9:30 am on the 7th.

--- HORMONE DISPUTE WITH EC UNRESOLVED, TASK FORCE APPOINTED TO SEEK SOLUTION...After meetings over the past weekend between U.S. Trade Representative Carla Hills and EC officials, the dispute between the U.S. and EC

remains unresolved but the two sides have agreed to continue working on it rather than escalating the dispute through further retaliation. The dispute centers around an EC directive that only beef that is certified as having been produced without the use of growth hormones may be imported into EC member countries. The U.S. contends that this is an unfair trade barrier, as U.S. and international regulatory bodies have approved the use of growth hormones. In response to the EC directive, the U.S. increased tariffs on several EC products coming into the U.S. The EC had threatened to counter-retaliate against additional American products, but agreed to hold off until after the meeting between Hills and EC officials.

Also as a result of the meeting, an 8-member Task Force was appointed to seek a solution which would meet the EC directive without requiring changes in U.S. production practices. The task force was given 75 days to find a solution. The U.S. also agreed that if any U.S. beef is shipped to the EC during the 75 days, we would reduce our retaliation by an equivalent amount.

On a related matter, the U.S. has given the EC until March 31st to verify that they have adequate inspection capabilities to assure us that EC beef for export is wholesome and safe. This is a result of reports that producers in the EC have begun administering unsafe black market hormones to their cattle as a result of the ban on hormone sales in EC countries.

--- HOUSE AGRICULTURE COMMITTEE RECOMMENDS LEVEL FUNDING FOR 1989...The House Agriculture Committee sent a letter to the House Budget Committee on February 22nd recommending that funding for agriculture programs be maintained at current levels, plus adjustments for inflation. This recommendation covers all USDA programs with the exception of the Commodity Credit Corporation, the Farmers Home Administration and the Federal Crop Insurance Program. For these three, the Committee recommends funding at levels consistent with the 1985 Farm Bill and the Agricultural Credit Act of 1987.

House Committees are required to make recommendations to the Budget Committee by February 25th, although there is no assurance that the Budget Committee will heed their recommendations. The Agriculture Committee recommendations opposed the spending reductions called for in both the Reagan and Bush Administration Budget proposals. Committee Chairman de la Garza (D-TX) told Committee members that by recommending level funding plus inflation, they retained full leeway if negotiations occurred in a "budget summit" with the White House.

--- HOUSE AGRICULTURE COMMITTEE HOLDS HEARING ON COTTON PROGRAM...Several witnesses testified February 22nd that changes need to be made to the cotton program to make U.S. cotton competitive in the world market and reduce surplus stockpiles of cotton. The hearing before the Cotton, Rice and Sugar Subcommittee featured witnesses from the USDA and the cotton industry. With 9.2 million bales of cotton on hand already and production for this year estimated at 13.2 million bales, surpluses are mounting. Industry witnesses stated that our cotton isn't selling overseas because of improper implementation of the marketing loan program by the USDA, while the USDA witness testified that Congress needs to make changes in the law to fix the program. Industry witnesses asked for changes in the Department's methodology for determining the Average World Price to ensure that U.S. cotton is competitive. The Department witness said the problem is the 18-month loan and equity payments which allow

risk-free storage, encouraging farmers to hold cotton in the loan on the chance that prices will improve. Committee Members expressed some degree of support for implementing a paid land diversion in the cotton program to reduce the oversupply.

--- SENATE AGRICULTURE COMMITTEE HOLDS HEARING ON FUTURES TRADING...The Senate Agriculture Committee heard testimony February 23rd from the General Accounting Office (GAO) on their investigation of the ability of regulators to control fraud and abuse at the commodity futures exchanges. The GAO witness indicated that while the GAO is still in the beginning stages of its investigation, they have determined that changes made in the audit trail system in 1986 substantially enhanced the ability of regulators to detect trading abuses.

The Agriculture Committee is responsible for drafting legislation reauthorizing the CFTC this year, and have indicated that they will hold additional oversight hearings to determine if legislative changes need to be made to ensure that the CFTC is adequately equipped to regulate the exchanges.

--- COMMISSION ON AGRICULTURAL FINANCE ISSUES REPORT TO CONGRESS...The National Commission on Agricultural Finance, mandated by the 1985 Farm Bill, issued its report to Congress on February 22nd. Recommendations include standardization of loan application forms and accounting practices for use by all agricultural lenders and borrowers; development of new means for financing the export of agricultural products; and a thorough evaluation of the federal crop insurance program and federal disaster payments to farmers, to determine which is the better means of providing disaster assistance to farmers.

The Commission also recommended that Congress not interfere with financial markets by legislatively adjusting terms of loans and functions of financial markets, and that market forces and competition should be allowed to work. Also, the Commission said the government's role should be to oversee and regulate markets with a minimum of interference. The Commission also said that adequate credit is currently available to farmers and ranchers.

--- COMMENT PERIOD REOPENED FOR PROPOSED BEEF INSPECTION SYSTEM...Dr. Lester Crawford, administrator of the USDA's Food Safety and Inspection Service (FSIS), has announced that the comment period for a proposed new cattle inspection system has been reopened, and that comments will be accepted until May 15th. The comment period was originally closed January 30th, but Crawford said it was being reopened after requests for additional time were made. The proposed system is designed to increase inspection efficiency and allow inspectors to concentrate on detecting disease conditions. Comments should be submitted to: Policy Office, Attn. Linda Carey, Hearing Clerk, Room 3175-South, Food Safety and Inspection Service, U.S. Dept. of Agriculture, Washington, D.C. 20250. Questions should be directed to Richard Bryant at 202/447/9113.

--- CRP MAY PROVIDE UP TO \$4 BILLION IN CLEAN WATER BENEFITS...A new report from the USDA says that if the full 45 million acres is enrolled in the Conservation Reserve Program (CRP), benefits of up to \$4 billion a year in cleaner water may result. The CRP pays farmers annual rental payments for removing erodible land from production and planting it to permanent cover for a 10-year period. The benefits would take several forms, including lower water treatment costs, lower sediment removal costs, reduced flood damage, less damage

to water-use equipment and enhanced recreation fishing. Texas has 3,457,007 acres enrolled in the CRP thus far.

--- GATT NEGOTIATIONS ON AGRICULTURE REMAIN STALLED...Despite offers of concessions from U.S. negotiators, progress on agricultural trade reforms in the General Agreement on Tariffs and Trade (GATT) remains elusive. Latin American nations have insisted that agreements which have been achieved in 11 of the 15 broad areas of discussion cannot be implemented unless an agreement is reached on agriculture. The U.S. has agreed to discuss short-term measures to reform trade without a commitment for long-term reform, showing new flexibility from our previous position. However, the U.S. is still insisting on a long-term agreement before implementation of short-term initiatives.

For more information, contact Glen Hodges  
Agriculture Coordinator

### BANKING ITEMS

--- CONGRESSIONAL LEADERS EXPRESS CONCERNS ABOUT S&L PLAN...On February 22nd, several members of the Senate Banking Committee expressed concerns about the Bush Administration's plan for resolving the savings and loan crisis. The legislation implementing the plan was presented to the Committee by Treasury Secretary Nicholas Brady.

Senate Banking Committee Chairman Donald Riegle (D-MI) charged that the financing of the cleanup in the Administration proposal would cost an estimated \$4.61 billion more over 30 years than if the financing were handled directly by the Treasury Department. The Administration's plan would create a new financing corporation called the Resolution Funding Corporation (REFCO) to issue the \$50 billion in bonds to be used in the cleanup. Financing costs for the issue would run an estimated 25 basis points over the cost of Treasury securities. Treasury officials have indicated that the reason for the off-budget financing mechanism as opposed to direct Treasury financing is that direct financing could cause problems with regard to the Gramm-Rudman deficit reduction target for this year.

Sen. John Heinz (R-PA), a member of the Banking Committee, questioned Brady about the actual cost to the taxpayers of the Administration plan, which Treasury officials have estimated at \$40 billion. Heinz noted that the Administration's \$126 billion estimate for the overall cost of the plan only takes into account bond interest payments for the first 11 years and ignores payments to be made after 1999. When these out-year payments are taken into account, about \$70 billion is added to the total. When asked by Heinz, Brady indicated that a large part of the additional costs would be borne by the Treasury and, by extension, the taxpayers.

Sen. Riegle also indicated that he favors placing a restriction on the activities of state-chartered thrifts insured by the federal government. He also said he supports raising the "qualified thrift lender" or QTL threshold from 60 percent to 70 percent or higher. The QTL test was created in the Competitive Equality Banking Act of 1987. A 60 percent threshold would mean that at least 60 percent of a particular thrift's assets would have to be in home mortgage loans.

Sen. Phil Gramm (R-TX) took issue with a requirement in the plan that thrifts meet a 6 percent capital level by June of 1991. Sen. Gramm said a 6

percent level "might be possible in heaven - whether or not it's going to be possible in Texas is debatable."

Despite their concerns, most of the members of the Committee praised the plan as a good blueprint for further negotiations between the Administration and Congress.

--- TAX BREAKS FOR S&L ACQUISITIONS SEEN AS INEFFICIENT...In hearings before the House Ways and Means Committee on February 22nd, two witnesses told the Committee that using tax breaks as incentives in assisted mergers and acquisitions of troubled savings and loans may be more costly to the government than direct assistance. Comptroller General Charles Bowsher and James Blum, Acting Director of the Congressional Budget Office, said reliance on the breaks will ultimately prove the costlier of the two options. The tax breaks, which allow portions of net operating losses to be used by an acquiring interest in a thrift merger or acquisition, were extended last year in the Technical Correction Act of 1988, but they are set to expire at the end of this year. Ways and Means Committee Chairman Dan Rostenkowski (D-IL) indicated that, if the Administration wants the breaks extended beyond this year, it will have to come up with a way to pay for them. Otherwise, he said, the Committee will not consider an extension.

For more information, contact Carter Breed  
Economic Development Coordinator

#### DEFENSE ITEM

--- BASE CLOSING HEARING DRAWS CROWD...On Wednesday January 22nd, the Military Installations Subcommittee of the House Armed Services Committee heard from a number of Members of Congress who oppose the closing of military bases in their districts.

Fifteen House Members and two Senators testified before the Subcommittee, mainly expressing concerns over the lack of data explaining how bases were chosen and doubts over the actual amount of cost-savings to be achieved by the closures.

Rep. Jack Brooks (D-TX), Chairman of the House Judiciary Committee, was among those testifying against the closure plan. The Navy had proposed a Homeport facility at Galveston, but the proposal was scrapped by the Pentagon in its base closing list.

To stop the shutdowns, Congress must reject the Pentagon report within 45 legislative days of March 1st.

Additional hearings are scheduled on the base closing list.

For more information, contact Mark Schnabel  
Energy and Natural Resources Coordinator

#### DRUG ITEM

--- HOUSTON ONE OF TWO NEW SITES FOR ANTI-DRUGGED DRIVING PROGRAM...Houston/Harris County was recently chosen by the National Highway Traffic

Safety Administration as one of two new areas eligible to participate in the Drug Evaluation and Classification Program. New York City was the other site chosen. The program is designed to remove drugged drivers from the road by providing police officers special training to detect drivers who are using drugs other than alcohol.

According to NHTSA, the techniques employed in the training program have been tested thoroughly by the John Hopkins University School of Medicine and are a valuable tool. Until recently, police had no practical way of determining if someone arrested for impaired driving was under the influence of drugs.

For more information, contact Mark Schnabel  
Energy and Natural Resources Coordinator

### EDUCATION ITEMS

--- SECRETARY CAVAZOS TESTIFIES BEFORE HOUSE BUDGET PANEL...In testimony February 14th before the House Budget Committee, Secretary of Education Cavazos indicated that he expected the Bush budget proposal to adopt and build on the Reagan budget and to give the Department a total of \$22.5 billion in FY 90.

In an oversight hearing on Chapter 1 and budget issues, Chairman Augustus Hawkins (D-CA) discussed the ten new education initiatives contained in President Bush's budget proposal. Hawkins indicated that the proposals would require legislation and expressed reluctance to amend the newly reauthorized Hawkins/Stafford Elementary and Secondary School Improvement Act. At the oversight hearing, Cavazos indicated that the Department would issue final Chapter 1 regulations by the end of April so that schools can implement them by the 1989-90 school year.

For more information, contact Lori Bounds  
Human Resources Coordinator

### ENERGY ITEMS

--- OIL IMPORTS REACH DECADE PEAK...For the first time since January 1980, U.S. oil imports exceeded 8 million barrels per day, according to a report issued recently by the American Petroleum Institute (API).

API said that the January increase in imported oil to 8.2 million barrels per day was up more than 1 million barrels per day from levels late in 1988.

The API report should fuel both industry and government concerns that recent increases in U.S. dependence on foreign oil could have devastating consequences to the national security of the U.S.

The U.S. Department of Commerce made the determination last fall that oil imports do pose a threat to our national security.

According to the API, production in the United States declined 283,000 barrels to 7.9 million barrels per day from January 1988.

In a related report, the Department of Energy's Energy Information Administration said the rate of petroleum demand is expected to grow by 1 percent this year to 17.3 million barrels per day. Imports of crude oil are expected to continue increasing this year due to projections for declines in domestic production and increasing demand.

--- WATKINS TESTIFIES FOR BALANCED ENERGY POLICY...On Wednesday, February 22nd, Admiral James D. Watkins, President Bush's Secretary of Energy designee, told the Senate Energy and Natural Resources Committee that he believes there's a need to bring energy policy into "better balance" and that he intends to focus initially on the problems in the department's nuclear weapons complex but plans to be extremely active in all parts of departmental management and policy development.

Watkins said he views the rise in oil imports as a "serious problem" and suggested that "we need to give more incentives to turn that curve around." He also mentioned alternate transportation fuels as a high priority in countering the trend.

During his appearance, Watkins encouraged the opening of the Artic National Wildlife Refuge and offshore waters to oil and gas drilling, indicated that he will become a "major player" on reauthorizing the Clean Air Act and alluded to the clean coal technology program as among his "greatest personal interests."

Watkins' confirmation is expected in early March.

For more information, contact Mark Schnabel  
Energy and Natural Resources Coordinator

#### ENVIRONMENTAL ITEM

--- CLEAN AIR ACTIVITY...Activities in and around this year's attempt to reauthorize the Clean Air Act are increasing dramatically as seemingly every entity involved is gearing up for the upcoming Congressional fight.

The following is a partial list of recent developments on the clean air issue:

- \* The Office of Management and Budget, the Environmental Protection Agency, and the White House are engaged in discussions over who should develop the Administration's clean air bill.
- \* The EPA has recently released a new list of potential areas in non-attainment for ozone and carbon monoxide. Texas has no new additions on the list.
- \* The "Group of Nine" is combating environmentalists' reports that their ozone bill, H.R. 99, is too weak.
- \* Bush advisors say that the Administration bill will be based on a "market-oriented" approach.

For more information, contact Mark Schnabel  
Energy and Natural Resources Coordinator

## HUMAN RESOURCES ITEMS

--- SENATE PANEL APPROVES SULLIVAN FOR HHS SECRETARY POST...The Senate Finance Committee approved Louis W. Sullivan as Secretary of the Department of Health and Human Services. The full Senate is expected to vote on the nomination Tuesday.

The recommendation came after Sullivan fielded a variety of questions concerning his position on abortion, Social Security, Medicare cuts and fetal tissue research. Sullivan, whose earlier statements on abortion had raised some doubts about his position, stated that he believes that abortion should be prohibited except in cases of rape, incest or danger to the mother's life.

The Senate Labor and Human Resources Committee will hold a hearing on Monday to hear Sullivan's views, although the Committee has no official role in the confirmation process.

--- APPOINTMENTS MADE TO THE NATIONAL COMMISSION ON AIDS...Members were recommended this week for the National Commission on AIDS, which was authorized in the Omnibus Health Act.

Among Speaker of the House Jim Wright's (D-TX) recommendations is the Rev. Scott Allen of Texas. Rev. Allen is a member of the State Legislative Task Force on AIDS which recently issued its final report on the AIDS situation in Texas. Wright's other selections include: Rep. J. Roy Rowland (D-GA), Dr. Norman Zinberg of Massachusetts, Mr. Donald S. Goldman of New Jersey and Ms. Dianne Ahrens of Minnesota.

Senators Lloyd Bentsen (D-TX), Edward Kennedy (D-MA) and Alan Cranston (D-CA) have submitted recommendations to Senate Majority Leader George Mitchell (D-MI) who is expected to formally make the appointments in the near future. The Senate recommendations include: Ms. June Osborne of Michigan, Mr. Larry Kessler of Massachusetts, Ms. Dionne Warwick of California, Mr. Vernon Marks of North Carolina and Mr. Peter Carpenter of California.

President Bush will appoint the Secretaries of Health and Human Services, Defense and the Veterans' Administration as members of the Commission along with two members of the general public. The President has not yet selected his two appointments from the public.

The purpose of the Commission is to promote the development of a consensus on national AIDS policy and to make policy recommendations on matters ranging from agency funding to federal policy initiatives. Fifteen members make up the Commission - five selected by the Speaker of the House, five by the President pro tempore of the Senate and five by the President. Membership will reflect backgrounds in medicine, science, law, ethics, health care economics and social services.

--- PROPOSAL INTRODUCED TO ASSIST THE WORKING POOR...Legislation has been introduced by Rep. Thomas Downey (D-NY) and Senator Albert Gore, Jr. (D-TN) (H.R. 882 and S. 364) in an effort to provide assistance to the working poor.

The bills would expand the Earned Income Tax Credit (EITC) and adjust the credit for family size. Currently, the EITC equals 14 percent of the first

\$6,180 in earned income with a maximum credit of \$874 in 1989 and \$953 in 1990 regardless of family size. Under the legislation, the EITC would increase to 21 percent of the first \$6,180 for families with one child with a maximum credit of \$1,430. For families with two or more children, the EITC would equal 30 percent of the first \$6,180 with a maximum credit of \$2,043. The EITC level would be reduced by 20 cents for each dollar of income above \$10,740.

Downey and Gore's legislation would also make the Dependent Care Tax Credit refundable, and add \$200 million a year for child care and training child care workers to the Social Services Block Grant (SSBG) from FY 91 through FY 93.

The sponsors claim that approximately 1.6 million working poor people would be assisted by the legislation, which would take effect on January 1, 1990. The estimated cost of the initiative would be \$34 billion over five years.

--- WAXMAN, FLORIO INTRODUCE MEASURE TO PROVIDE COMMUNITY SERVICES FOR THE MENTALLY RETARDED... Reps. Henry Waxman (D-CA) and James Florio (D-NJ) have introduced the Medicaid Community and Facility Habilitation Amendments of 1989 (H.R. 854), a revised version of last year's Medicaid Community Family Living Amendments.

The bill would amend Title XIX of the Social Security Act to encourage development of community habilitation facilities and supportive services for the mentally retarded and developmentally disabled through a new state Medicaid option. States would be able to obtain federal Medicaid matching funds to cover community-based habilitation and support services for the retarded. Provider participation rules, standards and monitoring would be made more stringent for both institutional and community-based care.

Currently, Medicaid covers only institutional care for the retarded. States are permitted to obtain waivers for coverage of community care of the retarded as long as the care costs below institutional costs. The Waxman/Florio legislation does not carry this cost stipulation.

Similar legislation has been reintroduced in the Senate by Senator John Chafee (R-RI). Action on the bills will depend largely on the FY 90 Medicaid budget.

--- QUICK ACTION EXPECTED ON FAMILY LEAVE LEGISLATION... The Family and Medical Leave Act (S. 345 and H.R. 770) has been reintroduced by Senators Christopher Dodd (D-CN), Edward Kennedy (D-MA) and Bob Packwood (R-OR) and Reps. William Clay (D-MO), Patricia Schroeder (D-CO) and Marge Roukema (R-NJ).

The legislation would guarantee job security, seniority and health benefits for employees who care for a newborn, newly adopted or seriously ill child or a seriously ill parent. Employers would be required to provide up to 10 weeks of unpaid leave every two years for these workers, although paid leave with the same protections could also be provided. Employers would also be required to provide paid leave to workers due to personal illness of up to 13 weeks a year in the Senate bill and up to 15 weeks in the House bill.

Both measures have bipartisan support and the committee leadership in both Houses has promised to move early. The House Subcommittee on

Labor-Management Relations will mark up the legislation on February 28th.

--- SOUTH TEXAS CONTINUES TO STRUGGLE WITH INFLUX OF NICARAGUANS...The Immigration and Naturalization Service (INS) began erecting tents this week inside the fence of a minimum-security prison in Bayview in an effort to speed the processing of Nicaraguan aliens and to jail those denied political asylum.

This action is the latest development in a crisis which began last December when about 2,000 Nicaraguans per week began to cross the border and to apply for political asylum in the Brownsville/Harlingen area. A combination of factors contributed to the influx, including the continuing deterioration of the Nicaraguan economy, an upswing in violence in El Salvador and policy changes by the INS.

In December 1988, INS officials in Texas decided to permit aliens applying for asylum to move out of the Brownsville area after they filed their claims. This departs from normal INS procedures which requires those applying for asylum to remain in the area while their claims are adjudicated. INS Commissioner Nelson, in mid-December, ordered the Texas INS office to stop the procedure.

A lawsuit was then filed on behalf of those aliens detained near the border, and a federal district judge issued a temporary restraining order January 9th barring the government from keeping the aliens in the Harlingen-Brownsville area. On February 20th, the restraining order was lifted, allowing the INS to restrict the asylum-seekers to South Texas while they await decisions.

Under the new plan, applicants are to receive an answer as early as the same day and would be subject to immediate arrest and detention if denied asylum. Single adults will be held in INS detention centers. Families and unaccompanied minors will be placed in less restrictive custody and must report for daily roll calls.

OSFR is working with Senators Lloyd Bentsen (D-TX) and Phil Gramm (R-TX) and House members from South Texas to identify federal relief for the severe problem that the refugee situation is posing for South Texas. The Texas Department of Health (TDH) has sent a team to South Texas to assess the public health conditions and TDH officials are in contact with the Centers for Disease Control (CDC).

Senator Bentsen and Rep. Solomon Ortiz (D-TX) have sponsored legislation authorizing the Community Relations Service (CRS), an agency of the Justice Department, to provide aid to areas which attract large numbers of Central American refugees. The agency has \$20 million in the CRS budget but is currently allowed to disburse the money only if Cuban or Haitian immigrants, or unaccompanied minor immigrants, are involved.

For more information, contact Lori Bounds  
Human Resources Coordinator

## SUPER COLLIDER ITEM

--- SUPERCONDUCTING SUPER COLLIDER AUTHORIZATION HEARINGS BEGIN... On February 23rd, the House Science, Space, and Technology Subcommittee on Energy Research and Development held the first hearing of the 101st Congress on the SSC. Congressman Joe Barton (R-TX) was the first witness to speak at the hearing. Barton told the Subcommittee that the SSC was not just a Texas project, but a national priority, and critical to the U.S. maintaining preeminence in high energy physics well into the 21st century. His testimony was followed by Congressman Jim Chapman (D-TX), a member of the Energy and Water Development Subcommittee of House Appropriations. Chapman emphasized the use of non-federal funds, especially the Texas commitment of the \$1.1 billion approved by Texas voters in 1987. Also testifying was Professor Roy Schwitters, the new director of the SSC Laboratory located in Ellis County, Texas.

On February 24th, the Subcommittee on Energy Research and Development of the Senate Committee on Energy and Natural Resources held its initial SSC authorization hearing. In addition to Congressman Barton, Senators Lloyd Bentsen (D-TX) and Phil Gramm (R-TX) expressed their strong support for proceeding with a \$250 million FY 90 construction start for the SSC in their testimony before the Subcommittee.

In both hearings, subcommittee members were concerned with funding the SSC -- the nation's largest scientific undertaking after the Space Station -- in an austere budget period. Members expressed skepticism regarding new revenue sources and concern about whether full funding of the Collider would drain available revenues from other science projects.

For more information, contact Henry Gandy  
Director

## TEXAS THIS WEEK:

The Texas Senate approved a \$79 million emergency appropriation bill that includes health insurance payments for community college employees and more money for the Superconducting Super Collider (SSC). Of the \$79.5 million, \$24.3 would be used for staff insurance at 50 junior colleges, \$38 million would be for redeeming bonds sold as part of the package to attract Sematech to Austin, \$7.4 million for architectural and engineering work in restoring the state Capitol, and nearly \$1.7 million would allow the National Research Laboratory Commission to begin buying land for the SSC.....The House Business and Commerce Committee will begin reviewing the omnibus workers compensation reform bill, House Bill No. 1 next week. On Monday, the Committee will begin work on more than 200 amendments. The bill would expand the oversight and regulatory powers of the present Industrial Accident Board, while intensifying safety programs, increasing some workers' benefits and moving the resolution of disputed claims to an administrative process. A Committee vote on H.B. 1 is expected in the first week of March.....The Senate Education Committee overwhelmingly voted to merge both Pan American Universities, located in Edinburg and Brownsville, with UT, and Texas A&I, Corpus Christi State and Laredo State with Texas A&M.....President Bush announced Wednesday the nomination of Houston state district Judge Melinda Harmon for a federal district judgeship for the Southern District of Texas.....William Leonard Carlton, a state legislator from northeast Texas in the 1940's died last Wednesday at 83.....Clements named Austin attorney Dan Matheson III last Thursday to the Texas State University System Board of Regents.....Governor Clements also approved an application prepared by the Texas Department of Agriculture to feed 42,000 Texas needy. The federal grant money, which will require a \$250,000 appropriation by the Legislature, would provide about \$800,000 in vouchers for needy Texans to buy fresh produce at farmers' markets.

## SUPER COLLIDER ITEM

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WILLIAM P. CLEMENTS, JR.  
GOVERNOR



HENRY M. GANDY  
DIRECTOR

## THE STATE OF TEXAS OFFICE OF STATE-FEDERAL RELATIONS

February 22, 1989

\*\*\*\*\* SPECIAL REPORT \*\*\*\*\*

On February 9th, President Bush submitted a revised budget proposal for fiscal year 1990. Enclosed is a brief analysis of the new budget for programs and policies of particular interest to our State. In general, the President's revised budget, while reflecting the priorities of the new Administration, suggests few substantive changes from the FY 90 budget submitted by President Reagan on January 9, 1989 (see "President Reagan's FY 1990 Budget Proposal: An Analysis of its Possible Impact on Texas," dated January 16th, for OSFR's analysis of the Reagan budget).

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## AGRICULTURE

In the agriculture function of the budget, President Bush proposes reduction of Federal farm expenditures by \$2 billion in FY 1990, in addition to the projected savings of \$1.2 billion which will come about under current law. The President also proposes shifting government credit programs from direct lending to borrowers to a policy of guaranteeing loans made by private lenders. This concept is already well underway in agricultural credit, with guaranteed loan volume already ahead of direct loan volume in Farmers Home Administration operating loans to producers. The Bush budget would continue that trend.

The 1985 Farm Bill mandated a 3 percent cut in target prices for major program crops in FY 1990, and an additional 1.4 percent reduction was mandated by the Omnibus Budget Reconciliation Act of 1987, for a total target price reduction for 1990 of 4.4 percent. This reduction, coupled with higher market prices for program crops, will result in lower deficiency payments and lower farm program costs. These savings, along with a projected decrease in the cost of the crop insurance program, account for the \$1.2 billion in savings under current law. As for the additional \$2 billion in proposed savings, Secretary of Agriculture Yeutter has been directed to work with Congress to develop a specific set of initiatives to achieve the savings. Two possible options listed in the Bush budget are further reductions in target prices and a decoupling of income support payments from production decisions by reducing the number of acres eligible for income support payments.

The farm price support programs have become very important to Texas producers in recent years, as plummeting market prices for major commodities have left producers relying on government payments for a larger part of the income from their crops. Target price cuts already scheduled under current law will adversely impact farm income in Texas; obviously further cuts such as proposed in the budget would exacerbate the adverse effects.

The budget also proposes more guaranteed, rather than direct, lending for the Rural Electrification Administration (REA), Farmers Home Administration (FmHA), Rural Development Insurance Fund (RDIF) and the Rural Housing Insurance Fund (RHIF). The budget cites several benefits from these changes, including reduced outlays in the near-term from decreased loan disbursements, lower outlays in the long-term as interest expense to the government on direct loans is greater than the potential default claims on guaranteed loans, and savings in administrative costs, as private lenders rather than Federal employees will service the guaranteed loans. Specific funding levels for the credit programs follow:

	<u>1989</u>	<u>1990 Proposal</u>
<u>REA</u>		
Direct	\$1.8 billion	\$ ---
Guaranteed	---	\$1.4 billion
<u>FmHA Agricultural Credit Insurance Fund</u>		
Direct	\$1.6 billion	\$ .7 billion
Guaranteed	\$2.8 billion	\$3.0 billion
<u>RDIF</u>		
Direct	\$426 million	\$200 million
Guaranteed	\$96 million	\$196 million
<u>RHIF (most current funding would be shifted to a new housing voucher program)</u>		
Direct	\$1.8 billion	\$.1 billion

The budget proposal is silent on funding levels for the numerous other programs funded under the agriculture function. These programs include the Extension Service, Soil Conservation Service, various inspection services and many others. Presumably, these programs fall under the "flexible freeze" proposal, and the funding levels are to be determined through negotiations with the Congress.

### CLEANUP OF NUCLEAR WEAPONS FACILITIES

The budget proposes an increase of \$1.1 billion to protect and clean up the environment at the nuclear weapons production facilities operated by the Department of Energy. This amount represents an increase of 42 percent from 1989 funding. The facilities, many of which have been in operation for over 30 years, were the subject of a recent DOE report which pointed out potential environmental problems. The Pantex facility near Amarillo was listed as one of the potential sites under review.

The increased funding would be allocated in a number of ways. Funding would be increased by 23 percent to ensure that day-to-day activities required to operate the facilities are safe and environmentally sound. An additional \$242 million would be allocated for cleaning up environmental problems from past operations, representing an increase of 150 percent. Most of this money would go to investigations to determine the extent of environmental damage and proper cleanup methods. Additionally, increased funding for the modernization of aging facilities is proposed. An increase of \$471 million, or 56 percent over 1989 would go for capital improvements and expansion of production reactor capacity.

	<u>1989</u>	<u>REAGAN PROPOSAL</u>	<u>BUSH PROPOSAL</u>
ES & H*	\$1.6 billion	\$2.0 billion	\$1.95 billion
Env. Cleanup	\$159 million	\$315 million	\$401 million
Modernization	\$842 million	--	\$1,313 million

\* ES & H - Environmental Safety and Health; day to day activities required to operate DOE facilities in a safe and environmentally sound manner.

### AVIATION SAFETY

The President proposes an increase for the Federal Aviation Administration (FAA) of \$1.15 billion in budget authority, an increase of 17 percent. This funding will provide for a 14 percent increase in FAA operations to permit hiring of numerous more controllers, safety inspectors, and security specialists.

The request will also provide for a 41 percent increase in the ongoing program to modernize and improve the air traffic control system in the U.S.

### COMMUNITY DEVELOPMENT

President Bush has made the implementation of the enterprise zones program a top priority in his budget proposal. The program, created in the 1987 housing bill, will encourage economic development in distressed areas through the provision of selected employment and investment tax incentives. These incentives will be offered in conjunction with federal, state and local regulatory relief proposals.

The Administration estimates that up to 70 enterprise zones will be selected between 1990 and 1993. The total revenue loss to the federal government from the program is estimated at \$1.05 billion over four years: \$150 million in 1990, \$200 million in 1991, \$300 million in 1992 and \$400 million in 1993.

### DEFENSE SPENDING FREEZE

The President's budget proposes a one-year freeze on the real growth of the defense budget, but only on condition that:

- \* The savings must be allocated to his priority initiatives for reducing the scourge of drugs and increasing our long-term economic growth.
- \* The defense spending level must be part of a comprehensive budget agreement that meets the Gramm-Rudman-Hollings target without a tax increase and incorporates reforms in the budget process.

Under a freeze on real growth, there would be an increase of \$9.1 billion in budget authority over the 1989 level and an increase of \$1.4 billion in outlays. The President proposes real increases of one percent in FY 91, one percent in FY 92, and two percent in FY 93 in future year defense spending.

## DRUG PROGRAMS

The Bush budget proposes nearly \$6.0 billion in 1990 for numerous drug programs. The budget outlines four major fronts in dealing with the drug problem: drug prevention, drug treatment, drug law enforcement and drug penalties.

### Drug Prevention

The budget requests nearly \$1.1 billion for drug prevention, including:

- \* \$367 million for the Drug-Free Schools and Communities program, a \$12 million increase over 1989.
- \* \$25 million for a new drug prevention initiative: Urban Emergency Grants.
- \* \$35 million for a new program of community partnership grants for drug abuse prevention.
- \* \$5 million for the Drug Policy Director to support both supply and demand research in the drug control effort.
- \* \$45 million of the \$150 million drug grant program to states for drug prevention activities.

### Drug treatment

The budget proposes \$735 million for drug treatment activities, an 18 percent increase over 1989:

- \* \$25 million for a grant program to reduce the time a person must wait for admission to a drug treatment program.
- \* \$30 million for a new grant program to support expansion of treatment capacity for the indigent, disadvantaged, youth, or expectant mothers in selected states.
- \* \$7 million for HHS research into effective treatment programs.

### Law Enforcement

The Administration requests \$4.1 billion for drug law enforcement programs in 1990, a 10 percent increase over 1989.

- \* 330 new positions and increased strategic and operational intelligence capabilities for the Drug Enforcement Administration.
- \* \$3 million for the U.S. Customs Service for money laundering activities.
- \* A 9 percent increase to \$690 million for Coast Guard efforts at interdiction of drug smugglers.
- \* \$300 million for the Department of Defense.
- \* \$150 million for the Bureau of Justice Assistance drug grant program.
- \* \$215 million for the new Organized Crime Drug Enforcement program.
- \* \$18 million for expanded caseload for U.S. attorneys.

## ENERGY POLICIES

### Oil & Gas production incentives

President Bush has proposed four incentives to encourage the exploration of new oil and gas fields and the reclaiming of old fields. These incentives are to be phased out if the price of oil reaches \$21 per barrel.

- \* A 10 percent credit on the first \$10 million of expenditures on exploratory intangible drilling costs and a 5 percent credit on the balance.
- \* A 10 percent credit for capital expenditures on all new tertiary enhanced recovery projects.
- \* Elimination of 80 percent of current preference items generated by exploratory intangible drilling costs by independent producers under the minimum tax.
- \* Modification of the oil and gas depletion rules that discourage the transfer of marginal wells to independent producers and result in the premature abandonment of producing wells.

### Oil & Gas exploration

The President proposes to open the Arctic National Wildlife Refuge for oil and gas drilling on an environmentally prudent basis. He also proposes to sell leases for exploration in the federally administered waters of the Outer Continental Shelf, again under an environmentally prudent plan.

### Helium processing

The President's budget calls for federal helium processing facilities to be sold.

## ENVIRONMENTAL ISSUES

Included in the Bush budget is strong language advocating a commitment to clean air, preserving and expanding recreation lands, developing offshore oil and gas while protecting the environment, speeding hazardous waste clean up, fighting ocean pollution, preserving our wetlands, enhancing water quality, reducing the growing volume of waste, and fostering international cooperation on the environment.

- \* The President will introduce legislation to reauthorize the Clean Air Act.
- \* \$2.5 billion in federal funds will be devoted for the Clean Coal Technology Programs.
- \* The President supports a limited but sustained program of federal recreational land acquisition financed by annual appropriations from the Land & Water Conservation Funds.
- \* \$64 million for increasing existing funding for coordinating water quality programs in the Department of Agriculture, Commerce, and Interior and the Environmental Protection Agency.

## EDUCATION

The President makes no changes in the Reagan budget request for the Department of Education. However, President Bush proposes a number of new education initiatives attempting to target dollars to those children most in need and providing public recognition and financial awards for educational achievement.

Presidential Merit Schools: Rewarding Successful Schools - To assist schools in developing the skills and abilities of children, the President will propose legislation and a 1990 appropriation of \$250 million for a new initiative to reward schools whose students demonstrate substantial educational progress. Funding for the initiative would increase each year until an annual funding level of \$500 million is reached.

Guidelines would be established for the objective measurement of school improvement, emphasizing improved educational performance, a safe and drug-free environment and fewer dropouts. Elementary, secondary and middle schools throughout the country would compete annually within each State for recognition as Presidential Merit Schools. Certificates of Recognition would be awarded, with special emphasis on Chapter 1 schools and others enrolling substantial numbers of children from low-income families.

President's Award for Excellence in Education: Recognizing Superior Teachers - The President will propose new legislation to reward exceptional teachers with \$8 million in annual appropriations to establish the President's Award for Excellence in Education.

Award competitions would be held annually in each State. All elementary and secondary school teachers, in public and private schools and teaching any academic subject, could compete for recognition and awards. The number of teachers receiving awards in each State would vary with the size of the State. Each award would be \$5,000 and could be used by the individual teacher for any purpose.

The National Science Foundation program recognizing excellent teachers in mathematics and sciences would remain a separate program.

National Science Scholars Program - The President will seek authority to establish a National Science Scholars Program in an effort to produce talented scientists, mathematicians and engineers. An appropriation of \$5 million will be requested for the first year, rising to \$20 million per year by the fourth year.

National standards of excellence for high school seniors' achievement in the sciences and mathematics would be set for annual competitions for the National Science Scholarships. One student would be nominated by each Member of the House of Representatives, one by each Senator and 30 by the President for a total of 570 scholars each year. Scholarships would be for four years for up to \$10,000 per year.

Scholarships would be available for use at any accredited institution of higher education to which the student is admitted. Students would be required to major in the sciences, mathematics or engineering and show continuing excellent performance. Student receiving the scholarships would have opportunities for summer jobs in federal science laboratories.

Fostering Magnet Schools of Excellence - To expand parental choice in education, the President proposes a new authority and \$100 million in new funding for magnet schools. The current magnet school program will not be affected.

Grants will be authorized to States for the purpose of establishing new magnet schools, and the funds will be available for schools offering choices from the full range of curriculum options. States will be encouraged to examine opportunities for development of magnet schools with mathematics and science orientations. Funds will be for initial costs, with a requirement that States and local school systems rapidly assume full operating costs. Special consideration will be given to proposals that offer recognition of the potential of children from low-income families.

Alternative Certification Systems for Teachers and Principals - In an effort to address the shortage of competent teachers and to allow qualified scientists and engineers to bring their talents into the schools, President Bush proposes new authority and \$25 million for 1990 to make grants to States and school districts to develop alternative certification systems.

Grants will be one-time only, with States allowed to spend the money over several years. The funds may be used for a variety of purposes, including design and testing of different options tailored to individual states or school districts, establishing administrative structures, training staff, developing recruitment strategies and evaluating new systems.

Those alternative teacher certification demonstrations funded in the Department's Fund for the Improvement and Reform of Schools and Teaching will remain in place to support demonstration projects.

Expanding Experiments for Educational Achievement - The President proposes \$13 million in new resources to expand experiments in educational innovation and data collection.

The funding will permit the Secretary of Education to set flexible priorities for experiments, establish objective rules for evaluating performance and disseminate as rapidly as possible information on what is and is not effective. Experiments and data collection will be designed to address issues

across the full spectrum of education: teaching and learning methods, school organization and management, problems of populations with special needs, parental choices, mathematics and science curriculum design, integrating higher order skills into school curricula, improving early childhood education programs and others.

Endowing Historically Black Colleges and Universities - President Bush's budget request proposes a total of \$60 million over four years (beginning with \$10 million in FY 90) for endowment matching grants for Historically Black Colleges and Universities (HBCUs).

HBCUs are currently eligible to compete for endowment matching grants under Part C of Title III of the Higher Education Act. Title III provides endowment matching grants to HBCUs as well as other institutions with financial needs. In 1988, HBCUs were awarded \$2 million in Title III endowment matching grants.

Guaranteed Student Loan Subsidy - The budget proposes a change to the subsidy paid to banks that make federally guaranteed student loans. Currently, students receiving federally Guaranteed Student Loans (GSLs) owe a low, fixed rate of interest to lenders. The government pays lenders a "special allowance" - the difference between the student rate and the sum of the current interest rate on 91-day Treasury bills plus 3.25 percentage points. The lender subsidy is designed to produce a profit that will ensure adequate lender participation in the GSL program.

President Bush proposes to reduce the special allowance to 3.0 in an initiative that the Administration claims will reduce excess profits and result in federal savings.

## CHILD CARE

The President's budget contains a number of new initiatives designed to assist parents, especially low-income parents, in making decisions about their children's care. The Bush proposal reflects four child care initiatives designed to enhance parental choice in child care and to ensure that assistance is provided to those families most in need.

Tax Code Changes - The budget proposes a new tax credit of up to \$1,000 for each child under age four in low-income working families. This credit, which would be available to families in which at least one parent works, would be provided to very low-income families in tax year 1990 and expanded to include additional families in subsequent years. For each child under the age of four, families could receive a credit equal to 14 percent of wages, with a maximum credit equal to \$1,000 per child. In 1990, the credit would be phased out between \$8,000 and \$13,000 in income. This phase-out range would increase to between \$15,000 and \$20,000 by 1994.

The President also proposes modifications to the existing Dependent Care Tax Credit. Under current law, parents are allowed a credit for the child care costs incurred in order to obtain or maintain employment. The credit currently applies only to families with sufficient income to pay federal income taxes. The Bush budget proposes that the credit be made refundable. Families that meet eligibility criteria for both the Dependent Care Tax Credit and the new Child Credit could claim whichever credit suits their needs and circumstances for each child.

Expansion of Head-Start - The Reagan budget proposed \$1.23 billion for the Head Start early childhood development program, the same level as FY 89 funding. President Bush requests \$1.48 billion for the program, a \$250 million increase.

The additional funds would be used to expand enrollment of poor, four-year-old children in Head Start. With the requested increase, an estimated 95,000 additional children could benefit from Head Start.

Head Start is a comprehensive program providing educational, medical, nutritional and social services to children at risk of falling behind. It is designed to give poor children a more solid foundation in life.

## HOMELESSNESS

The Administration proposes to fully fund existing programs to combat the plight of homelessness and to fund a new homeless initiative.

Programs for the homeless under the Stewart B. McKinney Act will be fully funded up to the authorized level of \$746 million. This would be a \$416 million increase over FY 89 levels. This includes \$676 million of discretionary funding for programs providing emergency food and shelter, transitional and permanent housing, as well as health, substance abuse, educational, training and other services. Requested funds will also be used to support community-based mental health clinics.

The President also proposes a new \$50 million initiative designed to reduce homelessness. The proposal would build on local private-public partnerships and would use volunteers and community organizations to help the homeless. States and localities, with the non-profit sector, would be allowed to identify those homeless groups most in need in a local area and to put together a unique package of services for them. The proposed projects would then be selected on a competitive basis and matching funds would be required.

## BIOMEDICAL RESEARCH

The Administration emphasizes a desire to accelerate basic biomedical research in partnership with industry, which has the role of developing and marketing new applications. New techniques like human genome mapping (mapping of the human gene) will be given priority.

AIDS - The President retains the emphasis placed by the Reagan administration on funding to fight the deadly public health threat of AIDS. Like the Reagan budget, the Bush budget requests \$1.6 billion in FY 90 for Public Health Service (PHS) AIDS-related activities. This represents a 24 percent increase over 1989 funding levels.

## INCREASING ADOPTION

To make adoption a viable alternative to abortion, the Administration is proposing federal incentives to encourage adoption, including adoption of children who are older or handicapped. The President's FY 90 request for adoption programs totals \$138 million, including support for Adoption Assistance, Adolescent Family Life, Adoption Opportunities and Social Security benefits.

Currently, families adopting children with special needs can be reimbursed for up to \$2,000 in nonrecurring adoption costs through the Adoption Assistance program. To complement this assistance, the Administration proposes to restore and double the federal income tax deduction for adoption of special needs children. Under the proposal, a federal tax deduction of up to \$3,000 would be allowed to cover adoption costs that are not otherwise reimbursed.

The Adolescent Family Life (AFL) demonstration grant program, which supports multi-year grants to test new and innovative approaches for addressing the problems of teenage pregnancy and then disseminates the findings, will be continued. The AFL grants have produced nearly 100 new approaches to addressing the problem of adolescent pregnancy.

In an effort to expedite the adoption of foster children, the Administration supports continuation of federal financial participation in adoption assistance payments to states which assist families adopting special needs children. Adoption Opportunities Grants, designed to facilitate the elimination of barriers to adoption, will be continued.

The Administration will also seek a revision to the Social Security Act so that biological and adopted children will be treated equally when their parents are disabled or retired. President Bush supports legislation to remove the special dependency requirement for children adopted after a worker's onset of disability or entitlement to retirement benefits. Under current law, children adopted after Social Security entitlement is established must meet a dependency test, sometimes resulting in a wait of a year or more for dependent benefits. Biological children are entitled to the benefits at birth.

### ENGAGING YOUTH IN SERVICE (YES)

The President's commitment to volunteer programs spirit is demonstrated in a \$25 million proposal to endow the YES to America Foundation. The national Youth Entering Service (YES) initiative will be administered by a public-private foundation with the goal of channeling the energy and creativity of young people into successful community-based organizations and programs.

The Foundation will be chaired by the President who will appoint a national volunteer Board of Directors composed of outstanding leaders from government, the private sector and voluntary organizations. The Board will develop the criteria for matching funds, the application process and plans for community and State direction. Federal funds will match private funds for informational, promotional, organizational and administrative expenses during the pilot phase. After the pilot phase, funds will be employed to initiate the National YES to America program.

## MEDICARE AND MEDICAID

President Bush's budget proposal for Medicare retains the \$5 billion reduction contained in the Reagan budget. Increases in payments to hospitals, physicians and other providers will be limited. In addition, reductions in hospital capital-related payments and supplemental payments to teaching hospitals proposed by President Reagan are retained in the Bush proposal.

Proposed cuts in federal Medicaid matching funds contained in the Reagan budget are eliminated by President Bush. Funding is proposed at the current services level of \$37.6 billion. The new Administration will target Medicaid funds at pregnant women and children and proposes to assist States in an effort to fight infant mortality. The proposed funding will support expansions of Medicaid coverage for: pregnant women and infants up to 185 percent of the poverty level; children up to age eight under the poverty level; 12 months of Medicaid coverage for families who leave Aid to Families with Dependent Children (AFDC) to go to work, families in which both parents are unemployed and other recently enacted expansions.

The President proposes to raise mandatory Medicaid eligibility for pregnant women and infants to 130 percent of the poverty level. In an effort to address the problem of infant mortality, \$20 million is proposed in FYs 90 and 91 for development grants to States with high infant mortality. States would develop demonstration proposals to address the problems unique to each locale. States would specify how their delivery systems will be organized, how high risk pregnancies will be identified and which services will be targeted to women at risk. The federal government would grant necessary program waivers for approved State demonstrations.

To pay for the proposed expansions, the Administration would phase-out special matching rates for certain categories of administrative expenses.

## TAXATION

One of the central features of the Bush budget is the planned restoration of the tax break for long-term capital gains. Operating on the principle that a lower capital gains rate will stimulate investment and economic growth, the Administration proposes to restore the marginal tax rate for long-term gains on qualified capital assets to 15%. Preferential treatment for capital gains was removed in the Tax Reform Act of 1986.

Under the plan, qualified capital assets sold between 1989 and 1992, inclusive, will be required to have been held more than 12 months to be eligible for the lower rate. Assets sold between 1993 and 1994 would have to be held for 24 months, and those sold after 1994 would have to be held for 36 months. The Administration envisions increased revenues of \$16 billion over the next five years as a result of the restoration of the lower rate.

The Administration also proposes to make the research and development tax credit permanent. The current credit is set to expire at the end of 1989. It is equal to 20 percent of the excess of current qualified R&D expenditures over the base amount. The base amount is equal to the average of the previous 3 years' R&D expenditures. The Administration's proposal would retain the incremental nature of the credit and the 20 percent rate, but it would make the credit permanent and would modify the manner in which the base amount is calculated.

Expected revenue losses due to the credit are estimated at \$337 million in 1990, \$688 million in 1991, \$963 million in 1992 and \$1.15 billion in 1993.

## SCIENCE, SPACE AND TECHNOLOGY

The Bush Administration has proposed several initiatives that will strengthen our basic research base, allowing the private sector to capitalize on this knowledge in developing productivity-enhancing innovations. These initiatives stem from the belief that funding in the general category of science, space and technology contributes to the nation's long-term growth capacity and competitiveness.

The Administration plans to focus its investment in research and development on basic research and to allow the private sector to decide which emerging technologies will have the most potential in the marketplace. The linchpin of the Administration's efforts in this area will be an increase of \$361 million, or 13 percent, in science and technology programs over the level enacted for FY 89. These programs include the National Science Foundation (NSF) and the general science programs of the Department of Energy (except for the Superconducting Super Collider). The increase will continue progress toward the goal of doubling NSF's budget by 1993. It will allow NSF to fund the Engineering Research Centers, Advanced Scientific Computing Centers, and the 11 new interdisciplinary Science and Technology Centers established in 1989.

In outlining science and technology budget intentions, the Bush Administration has made increased funding of the nation's space program one of the key priorities. A 22 percent increase, from \$10.9 billion to \$13.3 billion, in the budget of the National Aeronautics and Space Administration (NASA) is proposed.

The increase in the NASA budget will allow the agency to continue the development of the Space Station Freedom on schedule. The Administration also proposes advance appropriations for the Space Station for fiscal years 1991 and 1992 and a ceiling on total development costs for the program. Because of the presence of the Johnson Space Center near Houston, the continued development and construction of the Space Station will have a significant impact on the economies of the Houston area and the State of Texas as a whole.

### Superconducting Super Collider

The budget proposes budget authority of \$250 million in 1990 for the SSC, including \$160 million in construction-related activities. This is the same amount requested by the previous Administration for 1990. The proposed request will also allow the Department of Energy to complete design of the technical systems and to procure critical long-lead items such as the superconducting materials.

The Bush Administration suggests that the actual initiation of construction at the site be dependent upon the details of the non-federal cost sharing commitments to the project.

Included in the budget request is a five year profile of current and anticipated federal budget expenditures for the SSC, as follows:

	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Budget Authority	100	250	392	494	450
Outlays	100	206	375	380	370



## THE STATE OF TEXAS OFFICE OF STATE-FEDERAL RELATIONS

WASHINGTON ACTION ITEMS.....February 15, 1989

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AGRICULTURE ITEMS

--- CLAYTON K. YEUTTER CONFIRMED AS SECRETARY OF AGRICULTURE...The Senate voted 100-0 on February 9th in favor of the nomination of Clayton Yeutter to serve as Secretary of Agriculture in the Bush Administration. Yeutter is a farmer and rancher from Nebraska who has served under Presidents Ford and Reagan. His resume also includes a Ph.D. in Agricultural Economics and a law degree, as well as a stint as President of the Chicago Mercantile Exchange. The unanimous vote in the Senate followed a confirmation hearing in which Senators generally praised Yeutter's experience, abilities and qualifications for the position.

During the last three years of the Reagan Administration, Yeutter served as U.S. Trade Representative, a position from which he strongly advocated the lowering of trade barriers and trade-distorting subsidies in international agricultural trade. In his confirmation hearing, Yeutter indicated that he would continue to press for such reforms and sounded optimistic about the possibility of reaching agreements with our trading partners before the current round of GATT negotiations ends in 1990.

--- BUSH BUDGET FOR AGRICULTURE VIRTUALLY UNCHANGED FROM REAGAN PROPOSAL...The budget outline for fiscal 1990 released by President Bush on February 9th contains virtually the same recommendations for savings in the agriculture portion of the budget as were contained in the Reagan Administration's final budget request. The Bush budget states that the Secretary of Agriculture has been directed to work with Congress in developing a specific set of initiatives designed to reduce Federal farm expenditures by \$2 billion in 1990. The budget also states that the current farm programs were established during the height of the farm crisis, and now that farm incomes are rising and reaching record levels, the time has come to adjust the program to today's conditions. The outline mentions as potential options for savings a

reduction in target prices or decoupling of income support payments from production decisions by reducing the number of acres eligible for support payments.

--- U.S. OFFICIALS SEEK SOLUTION TO BEEF DISPUTE WITH EC...The lingering dispute between the U.S. and the European Community (EC) over the issue of growth hormones used in beef production is raising concerns among officials in the Bush Administration, who want to get diplomatic relations with Europe off to a good start. The dispute centers around a new EC requirement that all imported beef be certified as having been produced without the use of growth hormones. The U.S. contends that the requirement is an unfair trade barrier, as U.S. and international health organizations have approved the use of naturally-occurring growth hormones in beef production. Additionally, the U.S. says that there is no detectable residue of the hormones remaining in the animals at slaughter, and thus there is no scientific way to determine if hormones were administered to the animals. The EC has banned imports of American beef, and the U.S. retaliated by raising tariffs on a number of EC products. The EC has drawn up a list of U.S. products and will meet on February 20th to decide whether to counter-retaliate by raising tariffs on them.

--- U.S. TRADE OFFICIAL PREDICTS SUCCESS IN GATT NEGOTIATIONS...Alan Holmer, until recently the Acting U.S. Trade Representative, has predicted that a framework for negotiations between the U.S. and EC on agricultural trade reform will be reached by April. The mid-term review of the "Uruguay Round" of negotiations on the General Agreement on Tariffs and Trade (GATT) were adjourned without the finalization of tentative accords in many areas, largely because the U.S. and EC could not reach any agreement on agriculture. The U.S. has pushed for an agreement which would lead to the eventual phaseout of practices which distort trade, such as barriers against imports or subsidization of exports. The EC, which has a highly protected and subsidized agricultural sector, has refused to make such a commitment, arguing that short-term adjustments in current policies would suffice.

The GATT negotiators will meet again in April to finalize agreements; interim talks on agriculture will be held starting February 13th. Both U.S. and EC officials will be represented by a mix of old and new faces when they meet again. Former U.S. Trade Representative Clayton Yeutter has been replaced by Carla Hills, but Yeutter has been confirmed by the Senate as the new Secretary of Agriculture and is expected to continue to play a major role. Also, former Treasury Secretary James Baker will continue to be involved through his new position as Secretary of State. Former EC Minister of Agriculture Willy de Clercq has become EC External Relations Commissioner.

The GATT negotiations were identified by Governor Clements' Task Force on Agricultural Development as an issue of great significance to the export-oriented Texas agricultural economy. OSFR will follow these negotiations carefully and keep state officials apprised of developments through Washington Action Items and more in-depth issue briefs as appropriate.

--- HOUSE AND SENATE AGRICULTURE COMMITTEES REORGANIZED, NEW MEMBERS ADDED...The House Agriculture Committee has two new subcommittee chairmen, two new members and two new temporary members. Glen English (D-OK) has replaced the retired Ed Jones as Chairman of the Conservation, Credit and Rural Development Subcommittee, and Charles Hatcher (D-GA) replaces Leon Panetta as Chairman of the

Domestic Marketing, Consumer Relations and Nutrition Subcommittee. Newly elected Rep. Bill Sarpalius (D-TX) joins fellow Texans Larry Combest, Charlie Stenholm (Chairman of Livestock, Dairy and Poultry Subcommittee) and E. "Kika" de la Garza (Chairman of full House Agriculture Committee).

The Senate Agriculture Committee has four new subcommittee chairmen and one new member. David Pryor (D-AR) replaced the defeated John Melcher (D-MT) as Chairman of the Agricultural Production and Price Stabilization Subcommittee, David Boren (D-OK) replaced Pryor as Chairman of the Marketing and Product Promotion Subcommittee, Kent Conrad (D-ND) replaced Boren as Chairman of Agricultural Credit, and Tom Daschle (D-SD) replaced Conrad as Chairman of Agricultural Research and Legislation. Slade Gorton (R-WA) is the new member of the full Committee.

--- USSR SUFFERS POOR HARVEST, PURCHASES FROM U.S. TO INCREASE...As Soviet officials announced that the estimated grain harvest for 1988 is 40 million metric tons (mmt) below their government's target, USDA officials raised the limit on Soviet grain purchases from the U.S. under the Long-Term Grain agreement we have with the Soviets. The agreement originally had a 12 mmt limit, which was raised to 16 mmt on December 23rd and has now been raised to 20 mmt. The poor Russian crop, which is being attributed to bad weather conditions, is 15 mmt below the 1987 harvest of 210 mmt.

--- CONGRESSIONAL, ADMINISTRATION OFFICIALS CONCERNED ABOUT PROSPECTS FOR CONTINUATION OF DROUGHT...Agriculture Committee Chairman de la Garza expressed concern with the potential for a continued drought in the farm belt, and urged farmers to give serious consideration to purchasing federal crop insurance. After a weather briefing for the House Agriculture Committee on February 2nd, de la Garza urged farmers to make every effort to save moisture, utilize drought-resistant crop varieties, and consider purchasing crop insurance, because severe budgetary constraints would make it very difficult for Congress to pass a drought-relief bill as they did in 1988. The inter-agency drought task force, which consists of representatives of several departments of the federal government, also met recently to evaluate current moisture conditions and begin contingency planning in case the drought persists.

--- SCS OFFICIAL REPORTS TEXAS HAS MOST LAND DAMAGED BY WIND EROSION...Wilson Scaling, Chief of the Soil Conservation Service (SCS), reported on January 31st that the drought is causing wind erosion damage to increase in the Great Plains, with Texas sustaining the greatest amount of damage. In fact, the 664,128 acres damaged in Texas represents over 30 percent of the national total. At this time last year, 250,220 acres had been damaged in Texas by wind erosion. Lack of residue and poor vegetative cover are the major factors causing the damage, and both factors are a result of the drought.

--- FmHA IMPLEMENTATION OF AGRICULTURAL CREDIT ACT CRITICIZED...At a January 24th hearing of the Agricultural Credit Subcommittee of the Senate Agriculture Committee, several witnesses criticized the Farmers Home Administration (FmHA) for their implementation of the Agricultural Credit Act of 1987. The FmHA makes farm operating, ownership and emergency loans to farmers and ranchers who are unable to obtain credit from commercial lending institutions. The 1987 Act directed the FmHA to write down delinquent loans when the cost to the government of a write-down is less than the cost of a foreclosure. The '87 Act also contained provisions mandating new rights for

FmHA borrowers. In a November, 1988, notice, FmHA notified 81,000 of its delinquent borrowers of their rights and responsibilities under the new law, and required them to request loan servicing options within 45 days or face foreclosure.

Witnesses at the hearing testified that the deadline should be extended, as the farmers were required to give detailed financial information to FmHA, and the Thanksgiving and Christmas holidays fell in the time between receipt of the notices and the deadline.

--- CONGRESSIONAL PANEL TO INVESTIGATE COMMODITY FUTURES MARKETS...On February 1st, House Agriculture Committee Chairman de la Garza (D-TX) announced that he had directed Rep. Glenn English (D-OK) to study the allegations of illegal activity resulting from an FBI investigation of the commodity futures markets. As Chairman of the Conservation, Credit and Rural Development Subcommittee, English has oversight responsibility over futures trading. The Commodity Futures Trading Commission (CFTC), which regulates the futures markets, is up for reauthorization this year and de la Garza has indicated that he wants to know if the Committee needs to grant additional statutory authority to the CFTC to enable them to properly regulate the markets.

For more information, contact Glen Hodges  
Agriculture Coordinator

#### BANKING ITEMS

--- OUTLINES OF BUSH'S THRIFT RESCUE PLAN RELEASED...On February 6th, the White House released the broad outlines of President Bush's plan to resolve the nation's savings and loan industry problems. The Bush plan calls for a refinancing of \$50 billion over five years for the Federal Savings and Loan Insurance Corporation (FSLIC) by issuing long-term bonds and raising deposit insurance premiums. The plan will significantly rework the regulatory structure of the savings and loan industry by separating the FSLIC from the Federal Home Loan Bank Board (FHLBB). The total cost of the plan to the taxpayers is difficult to determine, although Treasury Secretary Nicholas Brady estimated that roughly half of the cost will be borne by the industry and half by the taxpayers.

Initial reaction to the proposal from Capitol Hill and the banking industry was mixed, and most indicated they would have to study the plan more closely as details emerge. Senate Banking Committee Chairman Don Riegle (D-MI) praised the Administration for acting on the crisis so quickly. House Banking Committee Chairman Henry Gonzalez (D-TX) worried that the increased costs of higher insurance premiums for savings and loans would be passed on to the consumer in the form of higher fees for customer services.

The Bush plan would create a new Resolution Finance Corporation (REFCO) which would issue the \$50 billion in new FSLIC financing. The principal of the bond issue would be repaid entirely with savings and loan industry funds. Ongoing interest costs associated with the refinancing will be covered first by thrift industry funds and then, to the extent necessary, by Treasury funds.

The primary source of savings and loan industry funding used to finance the recapitalization would be slightly increased insurance premiums which the FSLIC charges. The insurance premium would be increased from 20.8 cents to 23 cents per \$100 on deposit. Thrifts would be required to pay this premium level for four years, and afterwards, assessments would drop to 18 cents per \$100 on deposit.

Commercial banks also face an insurance premium increase under the Bush plan. However, commercial bank premiums would not be used to resolve insolvent thrifts or to support the FSLIC. The assessment is intended to shore up the FDIC, whose ratio of reserves to insured deposits has fallen to an uncomfortably low level. Currently, commercial banks pay a premium to the FDIC equal to 8 cents per \$100 on deposit. Under the Bush proposal, banks would pay 12 cents per \$100 in the first year. From the second year on, the premium would be 15 cents per \$100 until the FDIC's ratio of reserves to insured deposits rises from the current 0.83 to 1.25. Once that level of protection is achieved, commercial banks would receive annual rebates on their premiums.

The plan also calls for the removal of the FSLIC from the oversight of the Federal Home Loan Bank Board and for its administrative attachment to the Federal Deposit Insurance Corporation (FDIC) which insures commercial bank deposits. While administered by the same agency, the commercial bank and savings and loan funds will be maintained separately, they will not be commingled, and premiums from each industry will be used only for its own insurance fund. The FHLBB would be placed under the direct authority of the Treasury Department and renamed the Federal Home Loan Bank System. The Office of the Comptroller of the Currency, which regulates national banks, already operates under Treasury's control.

The resolution of the remaining insolvent institutions would be handled by a newly created private corporation called the Resolution Trust Corporation (RTC). The RTC would have an oversight board comprised of the Secretary of the Treasury, the Chairman of the Federal Reserve Board and the Comptroller General of the United States.

President Bush also announced that the FDIC and FSLIC would begin an immediate joint supervisory program intended to stabilize insolvent institutions with personnel from the Federal Reserve and the Office of the Comptroller of the Currency. In keeping with this pledge, on February 7th, the FDIC was appointed conservator of four large thrifts that are "losing money at a rapid pace," according to FHLBB Chairman M. Danny Wall.

Treasury officials are expected to unveil a legislative proposal implementing the plan sometime before Treasury Secretary Nicholas Brady testifies before the Senate Banking Committee on February 22nd. White House officials have requested congressional action on the plan within 45 days.

--- ROSTENKOWSKI DOUBTS MERIT OF S&L TAX BENEFITS...On February 10th, House Ways and Means Committee Chairman Dan Rostenkowski (D-IL) indicated that he is doubtful of the merit of certain tax breaks for financially troubled savings and loans and banks. The breaks allow favorable tax treatment for transfers of net operating losses during mergers and acquisitions. They were extended in the Technical Corrections Act of 1988, but are scheduled to expire at the end of this year. The tax breaks were a major tool used by the Federal

Home Loan Bank Board to attract investors when resolving troubled thrift cases. The slight scaling back of the breaks which occurred at the end of 1988 is thought to have contributed significantly to the wave of thrift acquisitions which occurred in December.

For more information, contact Carter Breed  
Economic Development Coordinator

## BUDGET ITEMS

--- BUSH PRESENTS BUDGET REVISIONS TO CONGRESS...In a speech to Congress on February 9th, President Bush unveiled his package of revisions to the fiscal year 1990 budget request submitted by President Reagan last month. The Bush budget has a projected FY 90 deficit of \$91.1 billion, substantially lower than the \$100 billion FY 90 Gramm-Rudman deficit reduction target. While substantially similar to the Reagan request, the Bush budget makes room for new spending priorities by freezing defense spending for one year, changing economic assumptions, and including increased revenues from a number of sources, including the controversial proposal to restore tax preferences for capital gains.

On February 12th, the chairmen of the two congressional budget committees, House Budget Committee Chairman Leon Panetta (D-CA) and Senate Budget Chairman Jim Sasser (D-TN), criticized the Bush budget for failing to specify domestic spending cuts to reduce the deficit, and they ruled out serious negotiations unless the White House provides more details. However, Office of Management and Budget Director Richard Darman has indicated that spending reduction proposals were left intentionally vague in order to allow room for negotiation with Congress. Congressional hearings on the FY 90 budget are expected to begin later this month.

Other tax proposals in the Bush budget would provide for:

- o a permanent research and development tax credit;
- o enterprise zone tax incentives;
- o a 10 percent tax credit for exploratory oil drilling;
- o a 10 percent credit for tertiary enhanced recovery;
- o elimination of 80 percent of current alternative minimum tax preference items generated by exploratory intangible drilling costs incurred by independent producers;
- o repeal of the airport trust fund tax trigger;
- o an enhanced child care credit; and
- o an extension of the telephone excise tax.

WITHIN THE NEXT WEEK, OSFR WILL RELEASE AN ANALYSIS OF PRESIDENT BUSH'S BUDGET REVISIONS AND THEIR IMPACT ON THE STATE OF TEXAS.

--- CBO EXPANDS DEFICIT-CUTTING OPTIONS LIST...On February 7th, the Congressional Budget Office issued a report entitled "Reducing the Deficit: Spending and Revenue Options" which expands the list of deficit-reduction options available to the Congress. The revision of the options list was made necessary because, "In CBO's view, since the economy is already operating near its potential, further rapid growth cannot be counted on to close the fiscal deficit." CBO is projecting that the FY 90 deficit will drop to a level of \$141

billion from \$155 billion in FY 89. The \$141 billion projected deficit is significantly higher than the \$100 billion Gramm-Rudman target for FY 90.

To a report issued earlier, CBO added eight options: reducing the alternative minimum tax; repealing the Medicare taxable maximum; indexing the unemployment insurance taxable wage base; repealing the automatic aviation-related excise tax rate reduction; disallowing net interest deductions on indebtedness exceeding 50 percent of the basis of tangible assets; decreasing the exemption for estate and gift taxes; phasing out the child and dependent care credit; and taxing the income replacement portion of workers' compensation and black lung benefits.

Other options identified by CBO previously include: raising marginal tax rates for individuals or corporations; amending or repealing the indexing of income tax schedules; limiting mortgage interest deductions; taxing 30 percent of capital gains from home sales; decreasing limits on contributions to qualified pension and profit-sharing plans; increasing taxation of Social Security; taxing credit unions like other thrifts; increasing energy and excise taxes; and imposing a value-added or national sales tax.

--- NEC SEEN UNLIKELY TO PLAY ROLE IN BUDGET PROCESS...Following a January 31st meeting of the National Economic Commission, members indicated that it was unlikely that the commission would play any role in this year's budget process. Senate Budget Committee Ranking Member Pete Domenici (R-NM) said this was due to a failure of the commission members to come to agreement on the necessity of taxes in a deficit-reduction plan for FY 90. They also said that a majority of the commission members is likely to endorse President Bush's no-new-taxes pledge and that the remaining members are loathe to take a stance in opposition to the President.

The National Economic Commission was created in the Omnibus Budget Reconciliation Act of 1987 and was directed to present a report containing deficit-reduction proposals to Congress and the President. The current deadline for submission of the report is March 1st. An extension by President Bush until September 1st is possible, but seen as increasingly unlikely.

For more information, contact Carter Breed  
Economic Development Coordinator

#### DRUG ITEM

--- OMB ISSUES INTERIM RULE ON DRUG-FREE WORKPLACE...On January 31st, the Office of Management and Budget (OMB) issued an interim rule regarding federal contractor requirements under the recently enacted Drug-Free Workplace Act of 1988. This statute requires that all grantees receiving grants from any Federal agency certify to that agency that they will maintain a drug-free workplace.

This rule goes into effect on March 18th, with the comment period continuing through April 3rd.

Initial interpretations of this rule indicate that any state agency which receives a grant from a federal agency must, each year, send a letter to the granting agency certifying their compliance with the Act.

Certification requirements may be found on pages 4951-4952 of the January 31st, 1989 federal register under appendix c.

For more information, contact Mark Schnabel  
Energy and Natural Resources Coordinator

### EDUCATION ITEMS

--- PROPOSAL INTRODUCED TYING FEDERAL COLLEGE AID TO VOLUNTEER SERVICE... Legislation introduced January 31st in the House and Senate would link volunteer public service to federal student aid.

The new bills, sponsored in the House by Rep. Leon Panetta (D-CA) and in the Senate by Senator Christopher Dodd (D-CN), would build on existing youth volunteer organizations by establishing an American Conservation Corps and a Youth Service Corps. The corps would be operated by the states and would put enrolling 16 to 25-year-olds to work for six months to two years rendering human service assistance to local communities while providing any remedial education deemed necessary. Depending on how long they served, students leaving the corps program would receive either an education grant or job training assistance. The bills would not require students to perform national service before qualifying for federal student aid.

Another proposal, sponsored in the House by Rep. Dave McCurdy (D-OK) and in the Senate by Senator Sam Nunn (D-GA), would require students seeking federal aid for college or vocational education to serve their country as community service volunteers at subsistence wages or join the military at cut-rate pay.

Under this legislation, individuals would work for one or two years in some type of community service for \$100 a week plus federal health insurance. Another option would be to join the military for two years' active duty at two-thirds of regular pay, with a Reserve commitment of six years. Once their service was completed, community service volunteers would get \$10,000 for each year served. The money could be used only for college, vocational education or a down payment on a home. Armed services volunteers would get \$24,000 after their two years of active duty. Individuals unable to participate because of handicaps or other special circumstances would still be eligible to receive federal student aid.

--- UNITED STATES STUDENTS RANK NEAR BOTTOM IN MATH, SCIENCE SKILLS... A recently released report from the Educational Testing Service (ETS) ranks U.S. students last in math and next to last in science knowledge when compared with students in four other countries and four Canadian provinces.

According to the ETS study, 78 percent of 13-year-old U.S. students know basic math skills well enough to solve simple problems, and 80 percent can apply simple science principles. However, their knowledge of more advanced concepts and their ability to analyze data falls behind that of Korean and British Columbia students. While Korea ranked first in math, it was a close second to British Columbia in science.

--- HOUSE AND SENATE BUDGET COMMITTEES SET TO EVALUATE EDUCATION PROGRAMS... The House and Senate Budget Committees plan to hold hearings this month that will examine education programs in an attempt to identify those that

are productive and those that are not. During the week of February 20th, the House and Senate panels will begin the hearings which should end around mid-March. According to Senate Budget Committee Chairman Jim Sasser (D-TN), Congress will seek to put emphasis on those programs that will serve as the best long-range investment.

For more information, contact Lori Bounds  
Human Resources Coordinator

#### ENERGY ITEM

--- INTERIOR SECRETARY AWAITING INSTRUCTIONS ON ANWR...Newly-confirmed Secretary of the Interior Manuel Lujan indicated recently that that he would await more specific instructions from President Bush before formulating final agency policy on the Arctic National Wildlife Refuge.

Opening a 1.5 million acre coastal plain portion of the 19 million acre refuge to oil & gas development was a key priority of the Reagan Administration.

The question of whether or not to open ANWR to oil and gas leasing will be this year's chief legislative struggle between environmentalists and the energy industry.

Proponents of opening ANWR claim that this could be the last huge reservoir of oil available, and as yet untapped, in the North American continent. Opponents believe that development of the coastal plain will destroy pristine wilderness area, harm the local caribou herd, and set adverse precedent for future development.

For more information, contact Mark Schnabel  
Energy and Natural Resources Coordinator

#### ENVIRONMENTAL ITEM

--- EPA ENDORSES NO-NET-LOSS WETLANDS POLICY...A goal of restoring or creating another wetlands area for every wetlands area destroyed was endorsed in late January by the Environmental Protection Agency.

Officials estimate that more than half of the original 215 million acres of wetlands in the United States have been destroyed by filling, draining and other development activities. That loss is estimated at 300,000 to 500,000 acres per year. Texas has lost some 600,000 acres of bottomland hardwoods alone since 1950.

Wetlands, which include swamps, marshes, parts of estuaries and other lands, are important spawning grounds for fish, habitat for wildlife and flood control barriers.

For more information, contact Mark Schnabel  
Energy and Natural Resources Coordinator

## GUN CONTROL

--- ASSAULT WEAPON BILL SLATED TO MOVE...Sen. Paul Simon (D-IL) Chairman of the Senate Judiciary Constitution Subcommittee, has stated his intentions to move quickly on a bill, S. 386 by Sen. Howard Metzenbaum (D-OH), which would outlaw semi-automatic weapons.

On Friday, February 10th, the Subcommittee heard Los Angeles Police Chief Daryl F. Gates urge a ban on the "military assault weapons." The National Rifle Association opposes a gun ban saying many of the aforementioned rifles are functionally identical to many semi-automatic rifles owned by hunters and sportsmen.

For more information, contact Mark Schnabel  
Energy and Natural Resources Coordinator

## HUMAN RESOURCES ITEMS

--- HHS PUBLISHES FINAL RULES ON REFORM OF LONG TERM CARE FACILITIES...On February 2nd, the Health Care Financing Administration (HCFA) published final rules revising the requirements and standards that long-term care facilities must meet in order to participate in the Medicare and Medicaid programs.

Originally proposed in October 1987 in response to the recommendations of the National Institute of Medicine's report on the quality of care in nursing homes, the regulations were revised to comply with some of the statutory provisions of the nursing home reform legislation included in the Omnibus Budget Reconciliation Act of 1987 (OBRA).

The regulations become effective August 1, 1989, although implementation of some sections will not go into effect until October 1, 1990 as specified in OBRA. HCFA published the regulations as a final rule, but comments will be accepted if they are submitted by May 3, 1989.

--- MATERNAL, CHILD HEALTH PROPOSALS INTRODUCED...Children's health was the focus of a joint press conference held February 1st by Senator Bill Bradley (D-NJ), Rep. Henry Waxman (D-CA) and Rep. Mickey Leland (D-TX).

The Leland bill calls for coverage of pregnant women and infants up to 185% of the federal poverty level on a phase-in schedule, beginning with coverage below 125% of poverty in July 1991. Coverage would be extended to those below 150% of poverty in July 1992 and to those below 185% of poverty in July 1993. The proposals would also require state Medicaid payments to providers of obstetric and pediatric services to be sufficient to maintain or increase provider participation so that services are available to Medicaid beneficiaries to the extent that the same services are also available to the general population. States would also be required to streamline their eligibility process for pregnant women so that pregnant women are automatically covered for prenatal care for at least 45 days from the earliest point of contact until final eligibility is determined.

Waxman's Medicaid Child Health Amendments of 1989 would phase-in coverage of children up to age 18 in families with incomes below 100 percent of

poverty. Effective January 1, 1990, states would be required to cover all poor children age 6 and under and continue to do so until they reach 18. States would be given a new option of extending Medicaid coverage immediately to all children up to age 18 with incomes below the poverty level. The legislation would also require states to coordinate their Medicaid plans with the Women, Infants and Children (WIC) program and make information about special supplemental food programs for women, infants and children available to all pregnant, breast-feeding and post-partum women and children applying for Medicaid.

Bradley's legislation combines the provisions of the Waxman and Leland bills.

--- NEW CHILD CARE PROPOSALS INTRODUCED...Child care is on the front of the Congressional agenda, and several bills addressing the child care issue have been introduced.

Rep. Augustus Hawkins (D-CA), chairman of the House Education and Labor Committee, has introduced the Child Development Act of 1989 (H.R.3), which is expected to be the major House child care vehicle. The legislation authorizes \$2.5 billion in funds to expand Head Start services, School-Based Child Care and Development and Infant and Toddler Care.

In addition to Hawkins bill, the Act for Better Child Care (ABC bill), which failed at the end of last year, has been reintroduced by Rep. Dale Kildee (D-MI) and Senator Christopher Dodd (D-CN). The new version of the ABC bill (S.5), would authorize \$2.5 billion for child care in FY 90, mainly for direct aid to low-income families. Families could use the funds for school-based or other care for children up to age 15.

Senator Edward Kennedy (D-MA) has also reintroduced his "Smart Start" package (S. 123). Kennedy's legislation would provide funding to states and local agencies to develop high-quality early childhood development programs for pre-kindergarten children.

The Administration's child care initiative, outlined by President Bush in his State of the Union address, is a \$331 million increase in federal spending for child care. The increase would be used to create a new refundable child tax credit for low-income families with children 4-years-old and younger and to make the existing child care tax credit refundable for those whose incomes are so low that they do not pay federal taxes. Taxpayers currently eligible to claim the existing \$2,400 child care deduction would continue to do so. Initial cost of the tax refund program would be \$331 million for FY 90. By FY 93, however, outlays for the two tax programs are estimated at \$2.4 billion.

A number of other proposals modifying the Earned Income and Dependent Care Tax credits are expected to be introduced in the coming weeks.

--- SUBCOMMITTEE BEGINS HEARINGS ON REAUTHORIZATION OF CHILD NUTRITION PROGRAMS...The House Subcommittee on Elementary Education began February 8th a series of hearings on legislation (H.R. 24) amending and reauthorizing for five years programs set up by the Child Nutrition Act and the National School Lunch Act. Witnesses focused on the Women, Infants and Children (WIC) nutrition program, noting that it now serves only 50 percent of eligible women. Those testifying maintained that WIC is cost-effective because it prevents infants from becoming sick.

--- NATIONAL COMMISSION ON CHILDREN HOLDS FIRST MEETING...The National Commission on Children, created by Senator Lloyd Bentsen (D-TX) in the Omnibus Budget Reconciliation Act of 1987 (OBRA), held its first meeting in Washington on February 6th.

The panel, which is to produce easily-implemented ideas that address children's health and social welfare problems, will be chaired by Senator Jay Rockefeller (D-WV). In his address to the Commission, Bentsen urged the group to come up with "a realizable blueprint for action." Bentsen cautioned that proposals must take into account budgetary constraints, but he promised to be a strong advocate of the Commission's proposals - due by mid-1990.

--- CONFIRMATION OF HHS SECRETARY-DESIGNATE SULLIVAN POSTPONED...Two Senate committees have indefinitely postponed confirmation hearings on Health and Human Services Secretary-designate Louis Sullivan, MD.

Sullivan was to have appeared before the Senate Finance Committee February 1st and before the Senate Human Resources Committee on February 3rd. White House officials requested a postponement of the hearings, saying that more time was needed to complete a background check and the necessary paperwork on Sullivan.

Neither Senate panel has rescheduled the Sullivan hearing.

--- LEGISLATION INTRODUCED TO AID RURAL HOSPITALS...Legislation introduced January 31st in the House and Senate would address the financial problems of rural hospitals, particularly with regard to Medicare reimbursement.

The bills (S. 306 and H.R. 762), introduced by Senators Lloyd Bentsen (D-TX) and Robert Dole (R-KS) and Rep. Jake Pickle (D-TX), would gradually eliminate the gap between Medicare payments to urban and rural hospitals. Introduction of the legislation was prompted by increasing concern about the number of rural hospital closures. In 1988, 43 rural hospitals closed; 18 were in Texas.

Following are major provisions of the bills:

Elimination of Average Standardized Amounts:

The HHS Secretary would be required to design a legislative proposal to eliminate the current policy of determining separate average standardized payment rates for hospitals classified as large urban, other urban or rural. The proposal would have to include a transition period from the current system, recommendations for the treatment of payments or adjustments for teaching hospitals, rural referral centers, sole community hospitals and disproportionate share hospitals. The Secretary would submit a report on the required legislative proposal by October 1, 1989 which would be reviewed by the Prospective Payment Assessment Commission and the Congressional Budget Office. Each of these entities would submit a report, including an impact analysis, by April 1, 1991.

Interim Provisions for Additional Payments:

The Secretary would provide additional payments for each Medicare-dependent, small rural hospital to ensure that the total of the payments made to the

hospital for any cost reporting period is at least equal to the reasonable costs associated with the hospital's operating costs of inpatient hospital services for Medicare beneficiaries. The payments would be for hospital cost reporting periods beginning after September 30, 1989 and ending before October 1, 1991.

Rural hospitals are defined as those hospitals participating in the Medicare prospective payment system that is receiving payments based on the rural standardized amount, that has no more than 100 beds and for which at least 70 percent of inpatient hospital services are for Medicare Part A.

#### Sole Community Hospitals:

The bills would also modify the method for determining the reimbursement amount for sole community hospitals. Currently, 75 percent of the reimbursement amount is determined by using hospital-specific costs from a base year updated to the current year. The bill would continue to base 75 percent of the payment on hospital-specific costs but would calculate these on the most recent cost reporting information available. The amount received by the hospital could not be less than what would have been paid under the current system. Presently the remaining 25 percent is based on the applicable prospective payment program regional rate. The bill would establish the 25 percent amount on the higher regional or national rate.

#### Classification Review Board:

A Medicare Geographical Classification Review Board would be established. The five members of the Board would be appointed by the Secretary, and two of the members would represent rural hospitals. The Board would consider the application of any rural hospital requesting that the Board classify the hospital as being located in an urban area for purposes of determining the hospital's average standardized amount.

#### Rural Health Care Transition Grants:

The limit of \$50,000 on rural health transition grants would be waived when the Secretary determines that a greater amount is necessary to assist a hospital in implementing a transition project. The two-year limit on grants would be raised to three years, and the program would be extended through FY 92. The funding authorization level would be increased from \$15 million to \$25 million for FY 90 with that amount also authorized for FY 91 and FY 92. The bill also makes some procedural changes, such as no longer requiring that applications for grants be made through the Governor's office.

#### Rural Health Demonstration Projects:

The bill increases from four to ten the number of teaching hospitals with which agreements could be entered into to conduct demonstrations to assist resident physicians in developing field clinical experiences in rural areas.

#### Nursing Education:

The Secretary would provide for nursing demonstration programs under Medicare in each of five hospitals for cost reporting periods beginning on or after July 1, 1990 and before July 1, 1995. Under each demonstration project, the reasonable

costs incurred by a hospital as part of an approved educational program leading to a bachelor's degree in nursing would be allowed as reasonable costs under Medicare and reimbursed on the same basis as if they were allowable direct costs of a hospital-operated approved educational program, other than an approved medical education program.

--- DEADLINE CLOSE FOR RURAL HEALTH TRANSITION GRANT APPLICATIONS... Letters of intent from rural hospitals planning to file for rural health transition grants are due to be sent to the Health Care Financing Administration (HCFA) by February 21st.

The Transition Grant Program was created in the Omnibus Budget Reconciliation Act of 1987 (OBRA) to assist rural hospitals in strategic planning; expert assistance in determining viable diversification; compensating hospital staff and supporting renovations. \$8.8 million is available for these grants, and individual hospitals can receive up to \$50,000 per year for two years.

For more information, contact Lori Bounds  
Human Resources Coordinator

#### LABOR ITEM

--- SENATE COMMITTEE MINIMUM WAGE VOTE POSTPONED... A scheduled February 8th vote to increase the minimum wage by the Senate Labor and Human Resources Committee was postponed and rescheduled for March 8th. It marked the second time this Congress that the committee vote on the increase has been postponed.

The legislation, S. 4, sponsored by Committee Chairman Edward Kennedy (D-MA), proposes to increase the minimum wage from \$3.35 an hour to \$4.65 an hour over a three year period.

Attempts to increase the minimum wage last year died on the Senate floor during the waning moments of the 100th Congress.

For more information, contact Mark Schnabel  
Energy and Natural Resources Coordinator

NOTE: The Congress adjourned on Friday, February 10th for the President's Day recess and will reconvene on Tuesday, February 21st. The next edition of Washington Action Items will be published on Friday, February 24th.

## "Colonias"

Colonias are rural, unincorporated communities located in the Texas Valley. There are more than 100 such communities in Cameron, Hidalgo, Willacy and Starr counties. Similar communities may also be found in Val Verde County and in the Lower Valley area of El Paso County.

The Valley colonias range in size from 5 families to more than 450 families and are often grouped near each other (for example, outside Pharr as many as 17 colonias seem to merge into one massive slum dwelling area.)

The estimates of how many people live in the colonias vary from a high of 200,000 to as few as 75,000. Valley Interfaith estimates are about 125,000.

Many of the residents are unemployed with few job skills. Others are migrant and seasonal farm workers.

Many of the colonias were "developed" by local land owners who sold land (and sometimes housing) to low-income Hispanic families, usually on contracts of sale. In many cases the occupants have constructed their own dwelling on the land they are purchasing.

Living conditions in the colonias are generally poor. Some would describe them as "third world". All of them were built in unincorporated areas where there were no building code or zoning restrictions.

All the colonias lack, to one degree or another, potable water systems (some rely on trucked in water, some have small wells drilled into the same strata as their septic tank fields, others use raw untreated water taken from agricultural irrigation ditches), sewage and drainage systems, adequate housing and health and recreational facilities.

The apparent biggest need--other than jobs for their residents--appears to be water and sewage service. Efforts are under way to bring this service to some of the colonias--including efforts by the Texas Water Development Board, which under a legislative mandate, is making loans and grants for such systems.

Other methods being used are to have one of the nearby cities either annex and serve the area or extend service to a colonia in its extra-territorial area. (Pharr, for example, is annexing a large group of colonias just outside its current city limits. Brownsville, on the other hand, is willing to extend service to some but apparently only on financial terms which most of the colonia residents can't afford.)

In El Paso the legislature approved the creation of a special water district to serve the areas, but its plans have failed to get off the ground as the voters in the district recently rejected a bond issue on the grounds that the residents couldn't afford to pay the monthly charges and/or hook up fees. (Valley Interfaith estimates that a total fee--covering service, maintenance and debt retirement--of more than \$30 per month is out of the financial range of most of the colonia residents.)

Attached is a brief "inventory" of the Valley colonias which can give you some picture of the situation. It was prepared to show the needs for paving and drainage and does not talk about water and sewer, but still may give you a picture of what a colonia is.

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# America's Third World: Colonias

by Solomon P. Ortiz

**I**n South Texas, the beauty of the Rio Grande Valley is marred by the misery of many of the people who live there with no running water or sewers. Health problems are rife due to the resulting pollution.

In the border area between the United States and Mexico an estimated 185,000 people live in poor unincorporated settlements without adequate sanitation facilities. In the fertile Rio Grande Valley of Texas, many residents earn extremely low per capita incomes and have settled in substandard communities called colonias. Colonias are typically located outside the limits of established cities along the U.S.-Mexico border in Arizona, California, New Mexico and Texas. They are populated by a proud mix of people who, like many Americans, are pursuing a dream of home ownership. Unlike most emerging neighborhoods, however, colonias develop without planning and without essential infrastructure.

The lack of sanitary water supplies and improper sewage disposal and treatment are two striking deficiencies which plague colonias and limit the individual progress of colonia residents. Governmental bodies have begun to try to bring water and sewage service to colonias. Widespread efforts in this regard have only been initiated in earnest in recent years, and have been impeded by the sheer magnitude of assis-

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*U.S. Rep. Solomon F. Ortiz (D-Texas) was elected in 1988 to a fourth term in Congress. He represents a portion of the Rio Grande Valley along the U.S. Mexican border, one of the poorest regions of the United States. Ortiz was born and raised in a colonia, and maintains close ties with these communities.*

---

*A colonia family has no indoor cooking facilities.*

Photo by David Anthony Padilla

---



tance required, as well as existing regulations which have contributed to the establishment and proliferation of colonias.

### How colonias grew

Colonias have existed in one form or another for many years in rural areas of the Southwest. Their origins are as varied as the people living in them. Colonias have grown where low-income individuals looking for inexpensive home sites have found developers eager to sell rural land unsuitable for agriculture. These potential landowners are either recent immigrants to the United States or Americans who are tired of paying monthly rents in nearby cities. The land may be sold under false premises, with the developer promising to bring clean water, sewage treatment facilities and decent roads to the area.

What results are patchwork neighborhoods of cinderblock houses, trailers and even homes constructed out of tarpaper and cardboard. Water, brought in from nearby sources, often is transported in used chemical

drums for lack of a better container. Sewage treatment consists primarily of septic tank systems, although the soil is not sufficiently permeable to allow proper operation of a septic tank. When heavy rains come to colonias, the raw sewage overflows and eventually rises to the surface. Under these conditions, residents must wade through this untreated mixture to get to work or school. This is a key reason why disease rates in colonias exceed those found in Third World nations. Schools have reported a high incidence of skin rashes and diarrhea among colonia children.

El Paso County had more cases of hepatitis A in 1986 than 29 states; more cases of hepatitis B than 13 states; more shigella dysentery than 30 states, and more tuberculosis than 19 states, according to Dr. Laurance Nickey, health director of El Paso city-county. A university study found that 90 percent of all adults living in colonias had had hepatitis, which is a waterborne disease.

Health statistics cannot do justice to the full extent of the problem be-

cause many colonia residents either don't seek treatment or cross the border to see doctors in Mexico.

### What government can do

To correct the problems found in colonias, public servants must strive to achieve two goals. State officials must extend to county governments the authority to regulate all proposed residential developments in rural areas. Those who sell land should be required to provide detailed plans for the establishment of water and sewage service, transportation and road maintenance and other services. As the population increases, county governments must be granted authority which recognizes their broader needs and responsibilities. This is an important step for ensuring that future colonias will not pop up in rural areas throughout the state.

Given these preventive measures to deter the spread of colonias, financial assistance from state and federal authorities would improve conditions in existing colonias. Various federal initiatives were intro-



*A Texas woman relies on the wind and sun to dry her clothes.*

Photo by Brad Doherty



*There are no paved roads in Cameron Park in Brownsville, Texas.*

Photo by Brad Doherty

duced during the 100th Congress which target funding to programs that could assist colonias. Among these, I introduced H.R. 3524 in October of 1987 to provide \$45 million for two Farmers Home Administration (FmHA) programs. These programs would fund the construction of water and sewage facilities, and offer grants and loans to low-income families for housing improvements needed to use newly available water and sewer services.

In addition, I introduced legislation enabling cities to annex nearby colonias, while protecting federal loans to existing water service corporations operating in the annexed areas. Colonias, because of their proximity to larger cities, are not classified as "truly rural areas" under FmHA language and thus are less able to secure FmHA assistance. To tackle this problem, Texas Congressman Ron Coleman proposed adding to the fiscal year 1989 Agriculture Appropriations bill language

directing the FmHA to consider the unique status of colonias in awarding grants and loans. Related legislation was approved by voice vote in the House of Representatives Oct. 13, 1988, earmarking 10 percent of the Community Development Block Grant Small Cities allocation to the four border states (Texas, New Mexico, Arizona and California) for colonias.

Similar measures will be brought up again in the upcoming Congress.

### **Texas plans relief**

While Congress considers these proposals, officials in Texas in October 1988 announced the details of a \$500 million bond program to improve living conditions in colonias. This plan relies upon financing from the state, as well as affordable monthly payments from colonia residents, to service debt resulting from the construction of water and sewage facilities.

The state comptroller, the Texas Water Development Board, the state treasurer and the lieutenant governor, in conjunction with organizations representing colonia residents, contributed to the plan. Due to the magnitude of needs in colonias, teamwork of this nature is critical to develop and implement programs. Legislation based on this plan is expected to be introduced in the 1989 Texas Legislature.

These federal and state proposals for bringing clean water, sewage treatment and improved housing to the colonias represent a concerted effort to enhance the quality of life for colonia residents. As one who was born and raised in a colonia, I know an intense pride remains among the residents, and a healthy environment will greatly contribute to their ability to explore and pursue their full potential. Only then can our country truly benefit from economic and personal vitality found in abundance among all people along the U.S.-Mexican border. □

# Bush backs Rio Grande sewage plant at Laredo, Baker says

By Jennifer Dixon

Associated Press

WASHINGTON — The State Department strongly supports a \$44 million plan to clean up raw sewage pollution of the Rio Grande, Secretary of State James Baker testified Thursday before a Senate appropriations committee.

During questioning by Sen. Phil Gramm, R-Texas, Mr. Baker said the Bush administration is behind a request to spend \$7.5 million in next year's budget toward building a sewage treatment plant on the river at Laredo, Texas, and Nuevo Laredo, Mexico.

"It is vitally important," Mr. Gramm told the committee. "So far as I am aware, it is the worst pollution problem in North America."

He told Mr. Baker that it was "only a matter of time" before the river pollution causes a public health crisis.

Five miles below Laredo-Nuevo Laredo, the level of pollution is 1,400 times higher than is safe for contact with human skin.

"And we're not talking about drinking the water," Mr. Gramm said. "We're talking about touching it. Now the problem is, people on the Mexican side are drinking out of the river. . . . The pollution problem comes primarily from the dumping of human sewage into the river on the Mexican side."

Mr. Baker said he was considering putting a portion of the \$7.5 million into a supplemental appropriations bill, allowing the cleanup to

**"The Rio Grande is certainly the most polluted body of water that borders on the United States."**

— Sen. Phil Gramm, R-Texas

be accelerated because the money could be spent before fiscal 1990 begins in October.

"This is obviously good news for all Texans and citizens of Mexico that live on the Rio Grande," Mr. Gramm said in an interview. "As the population is growing on both sides of the river, we face a growing threat from pollution. If it is not dealt with, we ultimately face

threats to economic development, tourism and public health."

Congress last year approved legislation authorizing the State Department, acting through the International Boundary and Water Commission, to negotiate with Mexico to clean up the Rio Grande.

The river is polluted by discharges of industrial waste and raw sewage totaling tens of millions of

gallons a day. Downstream from Laredo and Nuevo Laredo is considered the most polluted stretch of river.

Since the bill's passage last year, the International Boundary and Water Commission worked out an agreement with Mexico for a jointly funded, \$44 million cleanup at Nuevo Laredo, which has no treatment plant for the city's sewage, Mr. Gramm's office said.

Under the plan, Texas would spend \$2 million, Mexico \$22 million and the federal government \$20 million, Mr. Gramm said.

Former President Ronald

Reagan's last budget request to Congress recommended that \$7.5 million be appropriated next year for initial construction of a sewage plant at Laredo-Nuevo Laredo.

"The Rio Grande is certainly the most polluted body of water that borders on the United States," Mr. Gramm said.

"I'm delighted that Secretary Baker is committed to this project, to funding under the State Department," said Mr. Gramm, a member of the Senate Appropriations Subcommittee on Justice, State and Commerce, before which Mr. Baker testified.

# Hundreds join rally for 'colonias'

Demonstrators at Capitol urge water, sewerage improvements

Associated Press

APR 13 1989

DALLAS MORNING NEWS

■ Related photo.

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AUSTIN — Several hundred people, rallying at the Capitol Wednesday to urge water and sewerage improvements for Rio Grande Valley colonias, heard top state officials predict that this is the year such help will come.

A bill already passed by the Senate "recognized for the first time that South Texas ought not be a Third World country," Lt. Gov. Bill Hobby told the cheering crowd on the Capitol steps.

"That bill passed the Senate unanimously. It'll be taken up in the House soon. I trust it will be passed by the same majority there and be signed by the governor — and we can all be proud of having been a part of that process that improved the quality of life of everybody in South Texas," Mr. Hobby said.

Rep. Alex Moreno, D-Edinburg, a House sponsor of the legislation, predicted that chamber also will approve the bill.

"We have a lot of support for the bill — not only from the speaker,

but from the general membership. . . . I think this is the year we're going to do it," Mr. Moreno told the demonstrators organized by a coalition of groups, including Valley Interfaith.

The legislation would make available up to \$100 million in state-guaranteed bonds to allow governmental units along the Texas-Mexico border to construct water and sewer systems in the rural subdivisions. Low-interest loans also could be made available.

Counties that accept the funds would be required to demand that future developments comply with minimum water and sewerage standards, and developers who failed to do so would face stiff fines.

The bill, Mr. Hobby said, "recognized it is time to clean up raw sewage running down the middle of streets. . . . (It) will bring a new age to the colonias."

Organizers of the demonstration said they believe the legislation

would provide water and sewerage services for 700 colonias from El Paso to Brownsville.

"This bill will address the health problems that people suffer because of the lack of water and sewers. The quality of life for our children will be improved," said Maggie Martinez of the El Paso Interreligious Sponsoring Organization.

State Treasurer Ann Richards was among the state officials who praised demonstrators for their continuing efforts to win passage of the legislation.

"When communities stand up for themselves, speak for themselves, call the attention of public officials to the situation that you are dealing with in the colonias, the public officials must respond and they must respond 'yes,'" Ms. Richards said.

"Thank you for speaking up for the people who are your neighbors, and who are your friends, who have needed attention and needed help for clean water, for sewage, for a good neighborhood, for a very long time."

## Tarrant activists rally for 'colonias'

Sec 1, P 24  
FORT WORTH STAR TELEGRAM

APR 13 1989 Water, sewer projects may start this year, officials say

From Staff and Wire Reports

AUSTIN — More than 100 Fort Worth residents took part in a rally at the Capitol yesterday to urge state financing of water and sewerage improvements for the impoverished rural Texas border subdivisions called colonias.

The members of Allied Communities of Tarrant, a church-affiliated community action group, heard top state officials predict that such help will come this year.

"We were sharing that we're concerned even in Fort Worth about the fi colonias. It affects all of us," the Rev. C.M. Singleton of the First Missionary Baptist Church told the crowd.

The community group is a sister organization to Valley Interfaith and a number of other Texas groups that have lobbied for improvements in public schools. Providing sanitary water and

sewage connections to the illegal rural subdivisions is one of the groups' major legislative goals this year, said Perry Perkins, lead organizer for the group, who estimated the rally crowd at 1,500.

Two busloads of activists but-tonholed virtually everyone in the Fort Worth delegation and were assured of support by House Speaker Gib Lewis, D-Fort Worth, Perkins said.

A bill already passed by the Senate "recognized for the first time that South Texas ought not be a Third World country," Lt. Gov. Bill Hobby told the cheering crowd on the Capitol steps.

The bill, Hobby said, "recognized it is time to clean up raw sewage running down the middle of streets. . . . (It) will bring a new age to the colonias."

Rep. Alex Moreno, D-Edinburg, a

House sponsor of the bill, predicted that chamber also will approve the bill, which won 30-0 Senate approval.

"We have a lot of support for the bill — not only from the speaker, but from the general membership. . . . I think this is the year we're going to do it," Moreno told the demonstration.

The legislation would make available up to \$100 million in state-guaranteed bonds to allow governmental units along the Texas-Mexico border to construct water and sewerage systems in the rural subdivisions. Low-interest loans also could be made available.

Counties that accept the funds would be required to demand that all future developments comply with minimum water and sewerage standards, and developers who failed to do so would face stiff fines.

# Colonia<sup>PAC</sup> aid likely, state leaders predict

AMERICAN STATESMAN

Associated Press APR 13 1989

Several hundred people, rallying at the Capitol Wednesday to urge passage of water and sewage improvements for Rio Grande Valley colonias, heard top state officials predict that this is the year such help will come.

A bill passed by the Senate "recognized for the first time that South Texas ought not be a Third World country," Lt. Gov. Bill Hobby told the cheering crowd on the Capitol steps.

"That bill passed the Senate unanimously," Hobby said. "It'll be taken up in the House soon. I trust it will be passed by the same majority there and be signed by the governor — and we can all be proud of having been a part of that process that improved the quality of life of

everybody in South Texas."

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"Thank you for speaking up for the people who are your neighbors, and who are your friends, who have needed attention and needed help for clean water, for sewage, for a good neighborhood, for a very long time," Richards said.

# Colonia dwellers<sup>PAC</sup> cheer lawmakers

APR 13 1989

RICHARD SMITH  
Press-News Austin Bureau

AUSTIN — Lawmakers told nearly 1,200 sign-waving residents from substandard unincorporated areas along the South Texas border Wednesday that they would make sure the residents got adequate water and sewerage facilities.

"We will be watching the members of the House very closely. We are ready to work," San Antonio COPS Chairwoman Patricia Ozuna told the cheering colonia residents gathered outside the Capitol.

Lt. Gov. Bill Hobby, House Speaker Gib Lewis and State Treasurer Ann Richards were among state officials and lawmakers who told the group they were working to improve their quality of life.

"We have recognized that it is the state's responsibility to clean up the raw sewage running down the streets of the colonias. South Texas ought not be a third world country," Hobby said.

"When I look back and see the great changes that has taken place in Texas in the last several years in social reform, I see the Valley Interfaith behind those efforts each and every time," Lewis said.

"I see a new issue and that is to help bring sanitation and water to those people who are so deserving," he continued.

The rally, organized by a number of community-rights groups, in-

"I see a new issue and that is to help bring sanitation and water to those people who are so deserving."

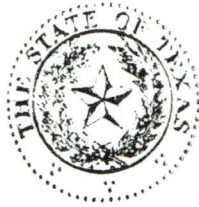
— Lt. Gov. Bill Hobby

cluding San Antonio COPS, Valley Interfaith and similar groups around the state, was to garner support for a House bill that would provide enforceable living standards for the habitants and finance water and sewerage projects.

On Tuesday, the Senate unanimously passed a constitutional amendment authorizing the issuance of up to \$500 million in water development bonds to finance the projects.

The amendment, which now heads to the House, also would allow the Texas Water Development Board to provide financial assistance for retail water distribution systems and indoor plumbing.

State Rep. Alex Moreno, D-Edinburg, said his House version of the bill would be similar to the Senate's but would include specific stipulations for utility, water and sewerage codes that counties would have the option of adopting.



STATE OF TEXAS  
OFFICE OF THE GOVERNOR  
AUSTIN, TEXAS 78711

Energy

WILLIAM P. CLEMENTS, JR.  
GOVERNOR

March 31, 1989

The President  
The White House  
1600 Pennsylvania Avenue, N.W.  
Washington, D.C. 20500

Dear Mr. President:

Enclosed is an opinion-editorial article in which I urge that the Administration or Congress establish a \$20 per barrel floor price for crude oil. The article was requested by the Jefferson Energy Foundation and I wanted to call it to your attention prior to publication.

As you know, I believe strongly that action must be taken to stabilize prices if a viable domestic exploration and producing industry -- which we both agree is vital to our national security -- is to be maintained. There is little that state governments can do to help stabilize prices, and I do not believe we should rely solely on foreign governments for that purpose.

The federal government can, and in my judgment should, act to stabilize prices. If crude oil prices can be stabilized at a reasonable level, then the domestic industry can arrest the current decline in production, thereby enabling the United States to regain control of its energy future.

Mr. President, I know that you and your financial advisers worry about inflationary pressures. I do, too. However, I worry more about the trauma associated with boom and bust cycles that do untold damage to our economy -- regional as well as national -- and to a vital industry such as oil. A price floor would serve to dampen these extreme swings in our economy. Moreover, strictly from an inflationary standpoint, \$20 per barrel oil likely would not have a significant impact since prices have recently exceeded that level. However, until the industry is assured that prices will stabilize at a minimum level of \$20 per barrel, we will not see the new investment necessary to lead to a rebound in production.

I support the tax incentives for oil and gas which you announced as part of your budget package. I believe they could be very helpful and, indeed, act as an incentive over and above a floor price. But tax incentives cannot fulfill the critical function that a floor does of assuring a stable, minimum price.

It is with great respect and warm regards that I call this matter to your attention.

Respectfully,



Bill Clements  
Governor

WPC:ALM/dk

Enclosure

Copy to: The Honorable John Sununu  
Chief of Staff to the President

## VOLATILE OIL PRICES THREATEN OUR NATIONAL SECURITY

Governor William P. Clements, Jr.

In the three years since oil prices crashed in January 1986, domestic crude oil production has plunged nearly a million barrels a day. To cover this reduction and to meet increased demand, oil imports have increased dramatically -- up some two million barrels per day from about five million daily in 1985 to more than seven million a day last year. Put simply, about 42 percent of the oil consumed in America today is imported. And we must all understand that unless action is taken, imports will exceed 50 percent in the early 1990's.

This trend clearly puts our national security at risk. It is a serious problem that should concern the entire nation. It cannot be safely shunted aside as merely a Texas or a producing state problem. We must take steps to stabilize the situation and reduce imports to more manageable levels. In short, we must regain control of our energy future. Our domestic producers can help by providing increased supplies, but they need a stable price environment to do so.

Measured by import dependence, the United States made significant progress on the energy front between 1977 and 1985, as oil imports were cut from about one-half to under one-third of our daily consumption. This triumph was attributable to actions of both producers and consumers. In response to higher prices, the U.S. industry arrested a decade-long production decline through

stepped-up exploration and development while consumers reined in consumption.

With adequate incentives, American producers can maintain mid-1980's production levels well into the next century. There is ample evidence that our nation's oil resource base, though explored and developed to an advanced stage, is capable of yielding enough reserves to maintain stable U.S. Lower 48 production at these levels for the next 45 to 50 years. Substantial undeveloped but discovered reserves exist in Alaska, and significant volumes of yet-to-be-discovered oil are likely. The deeper offshore areas of the Lower 48 states also hold promise and our ability to extract substantial additional amounts from existing reservoirs can be increased. In sum, the U.S. resource base is stronger than a lot of people think. We just have to pursue it with vigor.

The nation will benefit many ways from the resumption of aggressive development of our own resources. In my judgment a strong U.S. producing industry that continues to be the second largest in the world can have a stabilizing influence on world oil production and, therefore, prices. Moreover, pursuit of these opportunities offers an additional payoff for the nation, beyond stabilization and quelling the rising tide of imports. That is, development of these resources will allow time to smooth the transition from the current conventional liquid hydrocarbon era to one when other domestic energy sources such as synthetics may predominate or breakthroughs make systems using hydrogen or high-temperature superconducting materials feasible.

### Price Volatility is Damaging

The single most important energy supply issue before us today is how to stabilize crude oil prices. The petroleum industry is capital intensive and projects take time to bring to fruition. No one -- not a producer, not a service company, not a banker -- can plan in a volatile environment where, as in 1986, prices were \$27 a barrel in January and \$10 in April. In 1987, prices continued their roller coaster ride, ranging from \$20 in August to \$14 in December. In 1988, we experienced similar gyrations: \$18 in May, \$12 in September and near \$18 again at the year's end. We can arrest our production decline and regain some lost ground, but only if prices stabilize.

Our nation flourished during the era of stable oil prices, from the 1930's to the 1970's. As the National Petroleum Council has observed, state regulatory bodies, in conjunction with federal oil import quotas beginning in 1959, were able to maintain relative stability until 1973. We must find a mechanism for again unifying state and federal energy policy for the benefit of all Americans. Action is required, and we should act immediately.

There are several ways to stabilize prices. But, in my judgment, the best means is through a floor to be maintained for five years at, say, \$20 per barrel. To put that figure in perspective, \$20 a barrel in 1989 equates to about \$11 a barrel ten years ago. That's just about where world oil prices were before prices shot up in 1979, due to the Iran-Iraq war.

The next five years will be critical to the domestic producing community. This industry is in a depression now, and a \$20 floor

for that period would assure survival. This level would eliminate substantial discounts currently imposed by bankers and other financiers due to uncertainty. And excess world capacity -- particularly in the Middle East -- could not again be used to swamp markets and drive prices to basement levels.

Resuming exploration and development in this country in the next five years would increase domestic supplies in the 1990's just when world supplies are projected to tighten. Indeed, at a \$20 floor I would expect an increase in production in the 1990's of about 1.5 million barrels per day over that which would be achieved with continued chaotic price fluctuations. That level of production and our firm commitment to it would provide a buffer against increased global oil prices expected as supplies tighten.

In addition, a crude oil floor would bring stability to natural gas which is being pummelled by price cycles as volatile as those of oil. The nation is slowly reawakening to the fact that natural gas is an environmentally benign fuel which can also significantly diminish our dependence on imported oil. But these benefits cannot be fully realized without stable prices.

Imports clearly threaten our national security. This situation can only get worse with continued price fluctuations. Congress and the Administration can take steps to prevent further deterioration. I urge that they act without delay.



STATE OF TEXAS  
OFFICE OF THE GOVERNOR  
AUSTIN, TEXAS 78711

WILLIAM P. CLEMENTS, JR.  
GOVERNOR

March 31, 1989

*File*

The Honorable Brent Scowcroft  
National Security Adviser  
The White House  
1600 Pennsylvania Avenue, N.W.  
Washington, D.C. 20500

Dear Brent:

I have requested the President, by attached letter, to consider instituting a \$20 per barrel floor on crude oil. I believe a floor is justified on national security grounds and urge that you provide your views to the President on this matter.

The domestic producing industry is now in rapid decline and will continue to deteriorate unless something is done. A stable \$20 per barrel price would halt this decline and assure survival of the industry.

Brent, action is needed -- now. If the oil industry slips much farther, it will be exceedingly difficult to bring it back in any reasonable time frame. Imports now threaten our national security, and that situation is going to get worse. I ask your help in proposing actions to the President such as imposing a floor.

If you have any further thoughts on this matter, I would be most interested in discussing them with you.

Sincerely,

*Bill*  
William P. Clements, Jr.  
Governor

WPC:ALM/dk

Enclosure

# Alaskan oil means money and jobs for Texas

by Paul L. Kelly

**L**ANDMARK LEGISLATION to allow more drilling in the U.S. Arctic region took an important step forward last week when the House Merchant Marine and Fisheries Committee approved a bill that would open a limited part of Alaska's Arctic National Wildlife Refuge (ANWR) to oil and gas exploration. The area is considered one of America's best prospects for major new oil and gas discoveries and is important to the future energy security and economic well-being of Texas and the nation.

The debate over whether to allow oil and gas leasing in the ANWR got into full swing in 1987 with the release of the Department of the Interior's final report on the area and Secretary Don Hodel's recommendation that leasing be allowed. This officially put the matter before Congress, which must authorize development. In February a bill allowing development cleared the Senate Energy Committee and now awaits action on the Senate floor. Another bill, which would put the ANWR totally off limits to exploration, is awaiting action in the House Interior Committee.

Arctic Alaska seems so remote from Texas that it is difficult to imagine that ANWR development could have a major economic impact on our state in the decade ahead. Surprisingly, the project holds economic potential for Texas which puts it in the same league as the superconducting super-collider project and the space program.

While no one will know for sure until more drilling is done, preliminary indications are that the ANWR holds the potential for an oil field comparable in size to Prudhoe Bay which, with neighboring fields on the North Slope, now supplies about 25 percent of U.S. domestic oil production. Figures obtained from Alaska oil producers show that \$10.5 billion was spent in all 50 states in hard goods alone for Alaska's North Slope oil development during the years 1980-86.

The largest share of this amount by far, \$3.475 billion, was spent in Texas. Economic modeling done by the state comptroller's office indicates that these expenditures were responsible for the creation of over 15,000 new jobs in Texas. An additional \$7 billion was spent nationwide on labor and engineering and design services, a significant portion of which also came to Texas.

Opening the ANWR to development holds the same kind of economic potential for the state in the decade ahead. For this reason, the enabling legislation deserves and is receiving strong bipartisan support from Texas.

Those who argue against opening the ANWR coastal plain to development would prefer to declare all of it wilderness, worrying about the tundra and the wildlife.

Yet, the record in Alaska shows that petroleum operations are being carried out there in an environmentally sound manner. More than 6 billion barrels of oil have been produced so far at Prudhoe Bay with minimal impact on the environment. In fact, the caribou herd in the area has more than quadrupled, the snow geese population has increased and other wildlife

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continues to thrive.

Some 55 million acres in Alaska already are designated wilderness. In the ANWR, which is technically classified as a cold desert, 9 million acres have been declared wilderness, including 450,000 acres on the coastal plain.

No one proposes to touch that. Of the 19 million acres in the entire refuge, industry would use less than 15,000 acres for pipelines, production pads, roads and other facilities, assuming oil is found. To put it another way, the ANWR is more than 11 percent the size of Texas, yet oil activity there would occur only in an area smaller than Houston.

Oil exploration and development in an arctic environment is a lengthy process and can take anywhere from 10 to 15 years. Long lead times are needed because of the remoteness of the region, the need to plan for environmental protection and regulatory requirements.

Current North Slope production soon will begin to decline from its present level of 2 million barrels per day to less than 1 million barrels per day by the year 2000. Assuming only moderate year-to-year increases in oil prices and demand, unless something is done to offset the decline in the reserve base of crude oil and natural gas liquids in the United States, it is not unrealistic to expect a tripling of our trade deficit for oil imports in 10 years.

The ANWR offers one hope of mitigating the national security and economic-stability problems we are sure to face if we get to that point. America cannot afford to wait one more year to open the ANWR for exploration.

Texas Democrats and Republicans should unite to help the ANWR development bills clear the remaining hurdles in the House and Senate. Congress should pass the necessary enabling legislation this year and then hope and pray that the big oil and gas fields everyone is anticipating are actually discovered.

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