

JOURNAL OF THE SENATE
of the
STATE OF TEXAS

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of the
SEVENTIETH LEGISLATURE

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VOLUME IV

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JOINT SESSION

(To hear address by the Honorable Bob Bullock, Comptroller of Public Accounts)

The President of the Senate and the Senators present, accompanied by the Secretary of the Senate and the Sergeant-at-Arms, proceeded to the Hall of the House of Representatives at 2:30 p.m., pursuant to the provisions of S.C.R. 3.

The Senators were announced and were admitted and escorted to seats prepared for them along the aisle.

The Honorable Bob Bullock, Comptroller of Public Accounts, was escorted to the Speaker's Rostrum by Senators Anderson, Blake, Glasgow, McFarland and Parmer on the part of the Senate and Representatives A. Luna, Berlanga, Craddick, Earley, L. Evans, Geistweidt, Hackney, Hilbert, McDonald, Morales, Schlueter, Wilson and Wolens on the part of the House.

The President called the Senate to order and announced a quorum of the Senate present.

The Honorable Gib Lewis, Speaker of the House of Representatives, called the House to order, announced a quorum of the House present and stated the purpose of the Joint Session.

Speaker Lewis presented the President to the Joint Session and the President introduced the Honorable Bob Bullock who addressed the Joint Session as follows:

"You have honored me, by your invitation to speak here today, although I am confident that my message beat me to this podium.

The last time, you invited me to speak, you asked me to come talk about money.

I said at the time, that I could make the shortest talk in legislative history. You simply didn't have any.

Today, I would say you have even less.

As you know, we issued our revenue estimate for this Special Session, week before last.

In our new estimate, we reduced the projected State revenues for '87, '88 and '89, by \$698 million.

This reduction begs two questions, that I want to talk about today—the number and the timing.

First, let's take the number itself. Six hundred ninety-eight million dollars represents only 2% of the total money in the estimate—but it represents a lot of services to Texans.

Now, let's talk about the timing of reducing the revenue estimate, just 21 days after the end of the Regular Session.

I find no humor in the situation, yet, it might explain why there are no old revenue estimators—just old Comptrollers.

Our revenue estimate for the Regular Session in January, was based on our belief that the Texas economy would start recovering in the spring.

Most—if not all—of the economists in this State agreed, and some were even more enthusiastic about it, than we were.

Well, that was January.

And then, late February, we saw actual dollars coming into our office—fall below our expectations.

And, the same thing happened in March.

And, the same thing happened in April.

What we saw was of serious concern to us, but it was not—at the time—enough of a trend to warrant reducing our January estimate.

By mid-May, we again analyzed the reports of our largest taxpayers.

It showed, among other things, that of the top 200 taxpayers who prepay their taxes in advance, fully half had overestimated their payments.

Yes, half of our 200 top taxpayers had over-estimated and overpaid their taxes.

In other words, the tax managers, economists, and marketing men of some of our top taxpayers, had made the same mistake we had made about the projected recovery.

But, our analysis showed more than we just had company, in misjudging the timing of our recovery.

Our analysis showed that the slump in tax collections did not come from the retail industries.

It came from lower-than-expected activity in the heavy industries, the kind of investment in plants, machinery, and equipment, necessary to drive the rest of our economy.

By the 1st of June, current sales tax collections were down millions, from our January projected levels.

It was apparent—from this, and other indicators—that the spring recovery had not occurred.

Economic recovery has a domino effect. When you push back the recovery, you push back everything down the line.

Consequently, we had no choice, but to revise downward, our expectations for the rest of this year, and for the two years ahead.

Even though, we are now pushing back the timing of our recovery, this is not to say that the Texas economy will not grow.

Quite the contrary—we do expect the economy to grow in 1988-89, but not much.

Without this slight growth, the new revenue picture would have been much worse.

There is a lag, between economic activity and State revenue.

And, an even greater problem, is the fact that the Texas economy, and the Texas tax structure, do not mirror each other.

I know that sounds like I'm making a sales pitch to broaden the State's tax base.

Well, I'm not doing that. We've made our pitch, and we've given it our best shot.

From here on, the proof is in the pudding—and the pudding is a changing economy, and a declining tax system.

And, the gap will widen as the days, the months, and the years go by.

You can take it from there...which is to say, you take it from here.

To look backward is instructive, but the answers to today's problems are not what we used to be...or, what we used to do—or, what we used to have.

Just over a year ago, the bottom fell out of world oil prices.

But, the fact is, that we are in our 6th year of declining oil prices and production.

Initially, the decline was slight, and did not trigger any great alarm.

Even though the price continued downward, it seemed that many Texans held out hope, that someday the price would go up again.

Of course, it has—and our revised estimate includes \$106 million in additional oil and gas revenue, thanks to these price increases.

But, a word of caution to those who believe that increased oil prices are our financial salvation.

For many years, we used the rule of thumb that every \$1 in the price of oil was worth \$100 million in State revenue—up or down.

And, it took only ten of these \$1 per barrel increases to make a billion dollars.

Today, we can only say that \$1 in the price of oil is worth \$30 million in State revenue—up or down.

And, let me make this further point about oil prices and the State oil tax.

The so-called, per barrel price of oil that you see quoted in the newspaper, is not the same as the figure the tax is based on...and, here's why.

The media, and the industry, uses a price figure—which changes daily—for one certain grade of crude oil, a crude called West Texas Intermediate.

West Texas Intermediate just happens to be the best, highest crude oil there is.

But, not every oil well in Texas produces West Texas Intermediate. Texas has sizeable production in lower grades and they sell at lower prices.

The result is, an average taxable price in our estimate, that will be lower than the commonly used price reference.

And, for those of you who still believe that increased oil prices will solve our problems, you might like to know that oil would have to go to \$40-\$50 a barrel immediately, and stay there a full year, just to make up the \$1 billion 1987 deficit.

Texans need hope, but the oil and gas industry isn't the place to pin it.

These are unusual times, with unusual problems, that do not lend themselves to business-as-usual.

It was 1958, 29 years ago, that the State budget first topped \$1 billion.

And, it was 1960, 27 years ago, that Regular Sessions of the Legislature were first limited to 140 days.

The problems, the policies, the practices of 27 and 28 and 29 years ago, are not good yardsticks for today.

In that respect, I think it is wrong for anyone to say that this Legislature—quote—“failed”...because a State budget was not adopted in 140 days.

There is a proverb which says, better twice measured than once wrong. And, so it is with your work in this Special Session.
Thank you and good luck."

MEMORIAL RESOLUTIONS

S.R. 3 - By Brooks: Memorial resolution for Les G. Farmer, Jr.

S.R. 4 - By Armbrister: Memorial resolution for James Hubert Horny.

S.R. 6 - By Parker: Memorial resolution for Vera Evelyn Cox Ford Lea.

CONGRATULATORY RESOLUTIONS

S.R. 1 - By Parmer: Extending best wishes to James Douglass Shear, Sr., and Ruth Justin Shear on their 50th anniversary.

S.R. 2 - By Brown: Extending congratulations to James H. Hanson on his 101st birthday.

S.R. 8 - By Armbrister: Extending birthday greetings to Edgar B. Wells.

ADJOURNMENT

The President announced the purpose of the Joint Session had been accomplished and declared the Senate at 2:50 p.m. adjourned until 10:00 a.m. tomorrow in accordance with a motion previously adopted by the Senate.