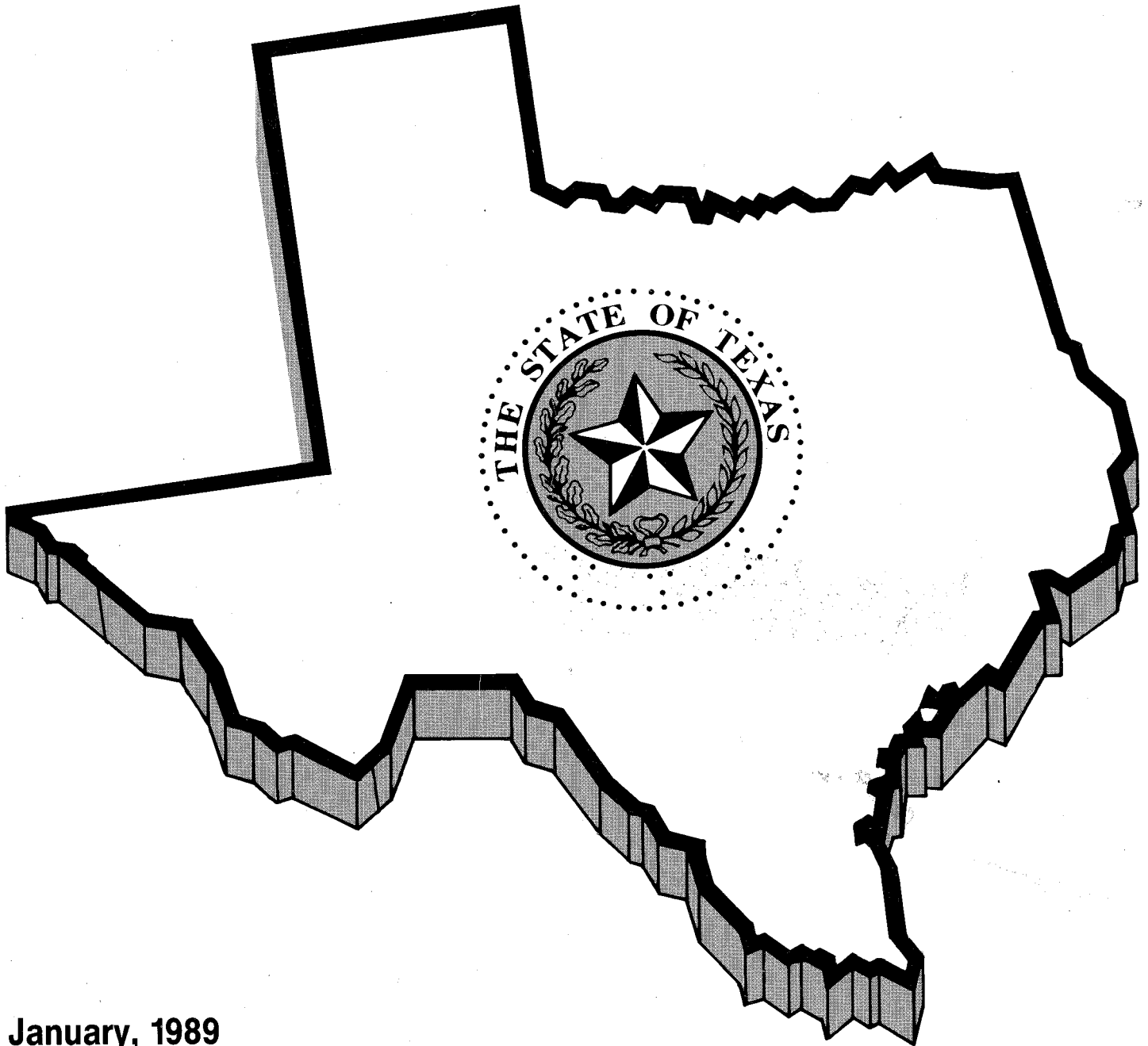


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A Strategic Economic Plan for Texas

submitted by
The Strategic Economic Policy Commission
to the
71st Session of the Texas Legislature



January, 1989

The Texas Strategic Economic Policy Commission

This document and the efforts of the Strategic Economic Policy Commission represent the initial step in the first effort ever undertaken in Texas to develop a long range strategic economic development plan. As you can imagine, given the size and diversity of Texas and our economy, it has been an enormous undertaking.

Strategic planning is a long-term process, requiring a long-term commitment. In producing this document the Strategic Economic Policy Commission, on behalf of all Texans, has made that commitment. Some elements of the plan can be implemented quickly, others will take more time. However, it is our hope that this plan will serve as a road map to help guide the legislative decision-making process for years to come.

In fulfilling its responsibilities, the Commission has been fortunate to have benefit of the knowledge, wisdom, energy, and ideas of hundreds of Texans across the State. Without them, this effort would not have been possible.

Governor William P. Clements, Jr.,
Chairman
Lt. Governor William P. Hobby
Speaker Gibson D. Lewis

Texas Department of Commerce Commissioners:

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Ernesto Ancira, Jr.
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William Allaway
H. Scott Caven
Robert Cizik
Marjorie Kastman
John Sammons, Jr.
Bill R. Shelton
Dr. Nancy Speck
John Watson
Dr. Gary Wood

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The Texas Strategic Economic Policy Commission gratefully acknowledges the input of the hundreds of people who participated in the planning process. It was through the expression of various viewpoints and provision of information that the Strategic Economic Plan was developed. The letters, phone calls, reports, and information submitted to the Commission were all appreciated.

None of this would have been possible without the assistance of the Texas Department of Commerce Research and Planning staff and the Policy Commission task forces. We would also like to thank the University of Texas at Austin for supporting our efforts by making Professor Cadenhead available so that he could serve as Research Director for the Commission. Additionally, the interest and support shown in the 20 public hearings held throughout the State were encouraging and helpful. Assistance of the Councils of Government in coordinating these hearings is most appreciated. While it is virtually impossible to recognize everyone, the following individuals deserve special recognition:

Bob Farley
Deputy Director
Texas Department of Commerce

David Ellis
Research Director
Texas Department of Commerce

Dr. Gary Cadenhead
Research Director
Strategic Economic Policy Commission

Rich Thomas
Governor's Office

Craig Pedersen
Lieutenant Governor's Office

Robin Mick
Speaker's Office

Mike Edelmann
Southwestern Bell Telephone Company

William G. McKinsey
USAA

Steve Sisney
Cooper Industries

Rebecca Wolken
Texas Department of Commerce

Tom Linehan
Texas Department of Commerce

Janice Robinson
Texas Department of Commerce

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I. Introduction

For almost half a century we have used the year 2000 as a convenient definition of the future—an artificial horizon for setting standards and goals—that would somehow never arrive.

Yet, the Class of 2000 began the first grade in September, 1988. Today, and always, they are our children. Twelve years from now most of them will be key players in the Texas economy—as wage earners, workers, and producers.

The world in which they will compete will be very different from the one we know today, requiring more education, better job skills, and the ability to develop, adapt, and use new technologies. The business environment will be different. Competition, on both a national and global scale, will be greater than ever before. Markets will be expanded. New products and services will be developed more quickly. Quality and reliability will become paramount. New businesses will enter and leave the market at higher rates. Economies will be more interdependent.

For the most part, the changes and challenges have already begun. In many ways our economy is responding well to those changes.

- More Texans are working than at any time in our history.
- Retail sales are at an all time high.
- College enrollment is higher than at any time in our past.
- Research and development activity is higher than it has ever been.
- Exports are over \$20 billion and rising.

While we track our economic progress primarily in numerical terms, we must not forget that most importantly the Texas economy is about Texans—people with goals, dreams, hopes, and visions, who deserve an opportunity to see them achieved. The challenge presented to the Strategic Economic Policy Commission has been to develop strategies to ensure that Texans have every opportunity possible to do so.



II. The Need to Plan

Texas at the Crossroads: Opportunities and Challenges

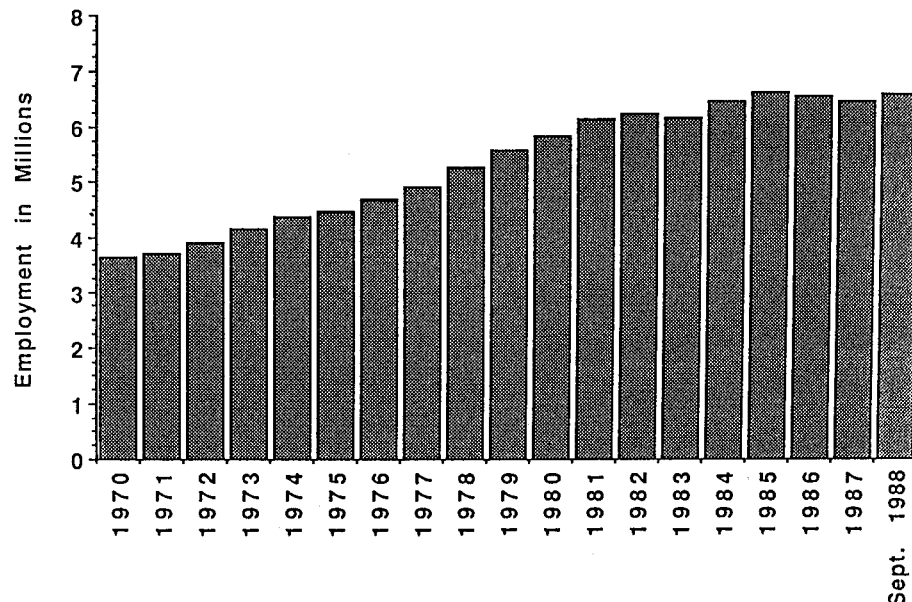
While the Texas economy has undergone changes throughout its history, there has been perhaps no greater time of change than in the last 20 years. The decade of the 1970's and early 1980's was a period of unprecedented growth in the Texas economy. Then came the recessions, the first in 1982-83, the second in 1986-87. For most Texans, economic recovery began in early 1987. In the last half of 1987 alone, 83,000 new non-farm jobs were created in Texas. In 1988, over 90,000 jobs will have been added to the State's economy. Similar gains are expected in 1989 and 1990.

In many ways, Texas finds itself in an enviable economic position. The sheer size of our State, its central location, our traditional values of hard work, and our innovative ability have demonstrated their

value over time. The performance of our economy in the 1980's, while it exposed some weaknesses, is testimony to the State's economic resilience. We are the 10th largest economy in the world, and rank ahead of all states except California and New York. Despite two major oil-related recessions in 1982 and 1986 and the resulting loss of jobs and wealth, Texas will end the 1980's with more people at work than at any time in our history.

But while the Texas economy has weathered recent storms, we cannot afford to be lulled into a false sense of security. Our economic fortunes are shaped by factors that are in some cases beyond our control. As a result, our ability to recognize and understand key trends will make the difference in terms of future success.

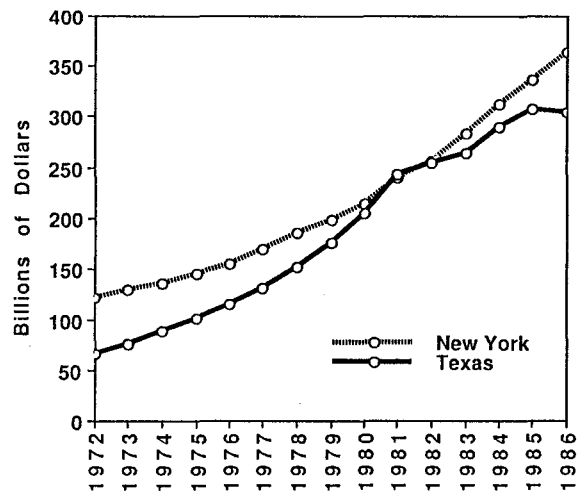
Texas Total Non-Agricultural Employment



Further, our recent economic problems have demonstrated the rate at which growth can quickly turn in the opposite direction.

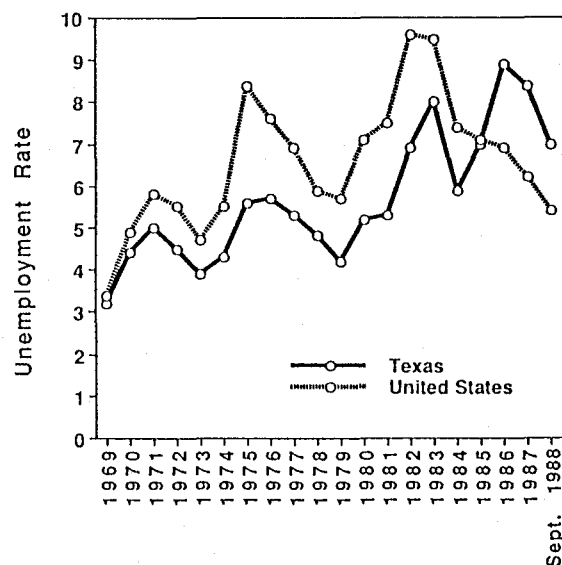
For example, in 1981, Texas actually passed New York to become the second largest state in the nation in terms of gross state product. Less than eight years later, we find ourselves again in third place, trailing New York by over \$50 billion per year, with a current growth rate too small to have any near-term opportunity to close the gap.

**Texas and New York
Gross State Product**



After a long period of leading the national average in employment growth, that trend has also been reversed. Today, in order simply to lower the Texas unemployment rate to that of the national rate, approximately 150,000 new jobs must be created—almost double what is currently expected for 1989.

**Texas and United States
Unemployment Rates**



These and other trends pose fundamental questions:

- **How can Texas continue the historic growth of the 70's and early 80's in the 90's and beyond?**
- **How can the State help our businesses succeed in a highly competitive world market?**
- **How can we continue to develop the technological base that has been built in Texas in the last 30 years?**
- **How can all areas of the State share in future expansion?**
- **How can we make our workforce competitive in terms of education and training?**

The answers to these difficult questions lie in our ability to understand our current situation, plan for the future, and make a wide range of specific decisions critical to a shared vision of the future.

Texas is at the crossroads: We can accept our future as a matter of chance, or we can determine our future as a matter of choice.



III. Trends that Shape Texas

The structure and performance of any modern economy is shaped by economic and demographic forces that are regional, national, and international in scope.

While our prospects continue to be influenced by the viability and strength of our core industries and traditional business

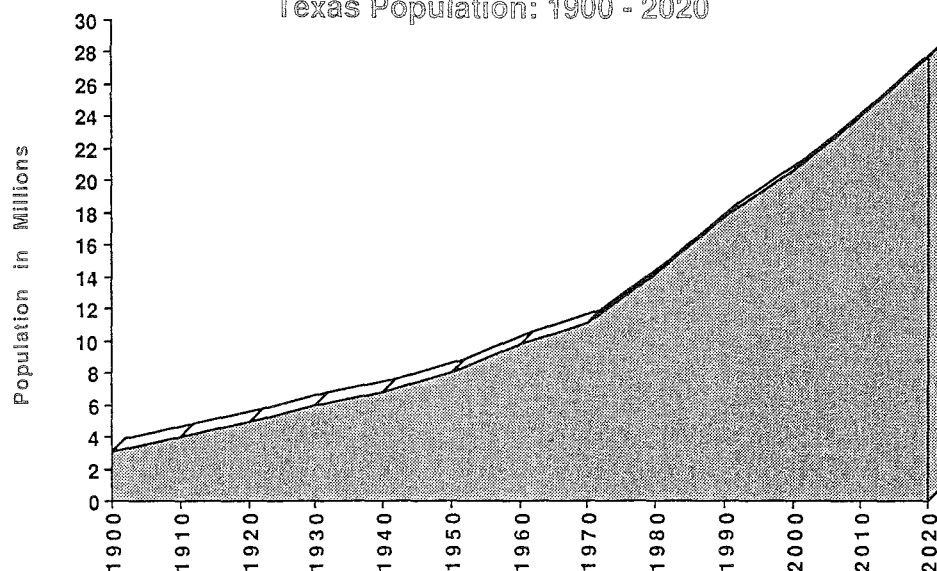
base, a wide variety of additional factors—the value of the dollar, trade policies, and the changing composition of our population, to name a few, will also have a profound effect on our future. This chapter reviews some of the critical factors identified by the Strategic Economic Policy Commission which will affect what the State can achieve.

Population and Demographic Change

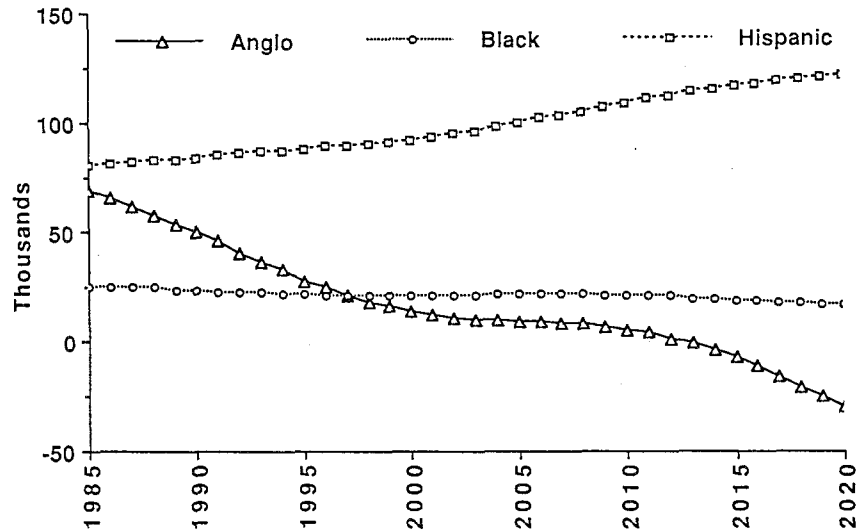
In the 1950's and 1960's the Texas population grew steadily, adding between 1.6 million and 1.8 million persons each decade. In the 1970's, Texas' growth exploded by more than 3 million persons, more than twice the national growth rate. More than 1.5 million people moved to Texas in the 1970's, raising the State to third in total population. By the year 2000, Texas will be the second largest state in the nation—home to nearly 21 million Texans, four million more than today.

In the years to come, the dynamics of the Texas population growth will be dramatically different from that of the preceding 15 years as well. For example, growth in the indigenous population will replace net migration as the primary source of population growth. The State's racial mix will continue to change as Hispanics become a larger part of the population.

Texas Population: 1900 - 2020



Texas Natural Population Growth by Race



Why are these demographic changes important to the State's economic development and how do they interact with other socio-economic trends?

First, in general, Texas minorities have yet to realize the same education and income levels as the Anglo population. Among the general population, one-third of all students who enter high school fail to graduate. For Hispanics, the dropout rate is 45 percent. Thirty-four percent of all Blacks do not graduate. Among Anglos, the high school dropout rate is 27 percent.

Second, 18.3 percent of Texans, more than three million of us, live below the poverty line. Of that 18 percent, minorities are disproportionately represented. Hispanics represent 21.9 percent of the population, yet constitute 43.1 percent of the poor. Blacks, with 11.5 percent of the population, account for 20.4 percent of the poor.

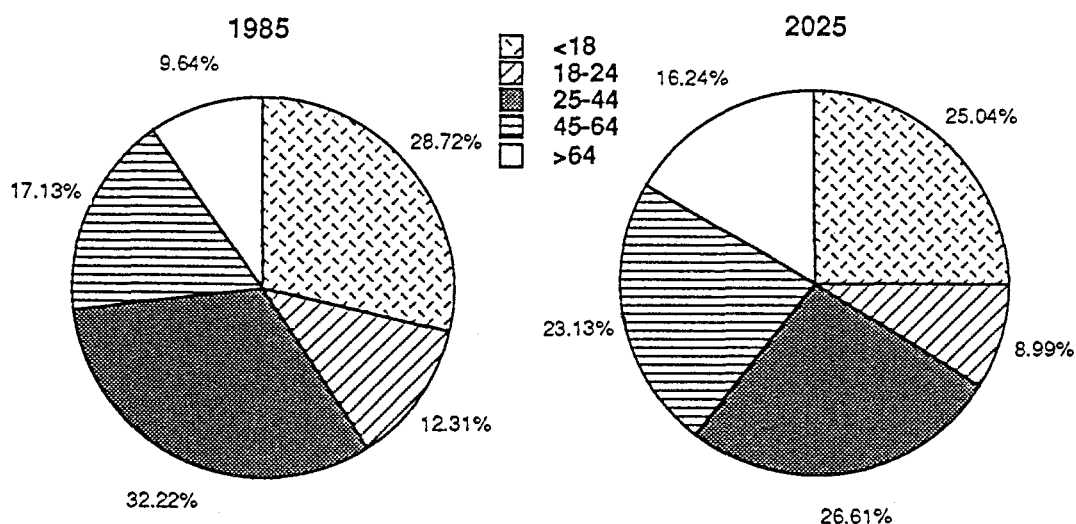
Students from poor families are three to four times as likely to dropout of school as other children. Add the fact that Texas

currently ranks 47th in literacy among the states, and the implications for our State's economy are clear—a less educated and trained workforce and a greater demand for public services.

Third, families are changing. What was once perceived as the "traditional" family structure is bordering on extinction as less than ten percent of Texas families now have only one wage earner while the other adult remains at home. In 1985, one in five Texas families was headed by a single parent, usually a woman.

Fourth, the Texas population is growing older. This has major implications for the State. For example, the labor force should become more productive in the short-term as the baby boomers enter middle age. But, in the long-term, there is the potential for labor shortages as the baby boom generation reaches retirement age and is replaced by a smaller, younger population. Finally, as a result of the growing elderly population, there is the potential for additional cost to the State for medical care and other services.

Texas Population by Age: 1985 and 2025



Taken together, each of these trends has implications for the workforce of the future. On the one hand, as discussed in other sections of this report, the workforce of the future will be required to have a better fundamental education, more training and retraining, and be more

adaptable to new technologies. In Texas, however, the combination of low educational achievement levels and shifting demographic patterns strongly suggest that current trends must be reversed if the Texas workforce is to be internationally competitive.

The Global Marketplace

In the 1940's, 1950's, and 1960's Texas businesses grew primarily by concentrating on the Texas market and by exporting goods and services to other states. While local and national markets are still important today, ideas, products, capital, labor, and wealth cross international boundaries to a greater extent and at greater speed than at any time in our history.

While the degree of this "globalization" varies by industry, most major employers in the areas of agriculture, computers, electronics, energy, metals, and consumer appliances operate in world markets. It has been estimated that in 1980, 50 percent of the U.S. economy was tied to international trade. By the year 2000, this

percentage is expected to grow to 75 percent.

As a major player in world markets, Texas has been a beneficiary of this trend. We export almost \$20 billion in goods each year, second only to California. Currently, commodities such as agricultural products, petroleum and chemicals, and manufactured items such as motor vehicle parts, electronics, and computers are strong export markets for the State. Exports from Texas alone account for almost eight percent of the U.S. total. The impact on employment is significant. About one out of every eight Texas workers is employed in an export-related field.

In addition to commodities and durable products, capital moves easily across international geo-political lines as well. Foreign direct investment in Texas is large both in the number of investments and in total dollar value. In 1986, Texas ranked third behind New York and California in number of foreign investments and ranked second in terms of known foreign investment value with \$3.7 billion. In terms of employment impact, more than 200,000 Texans work for firms at least partially owned by foreign companies.

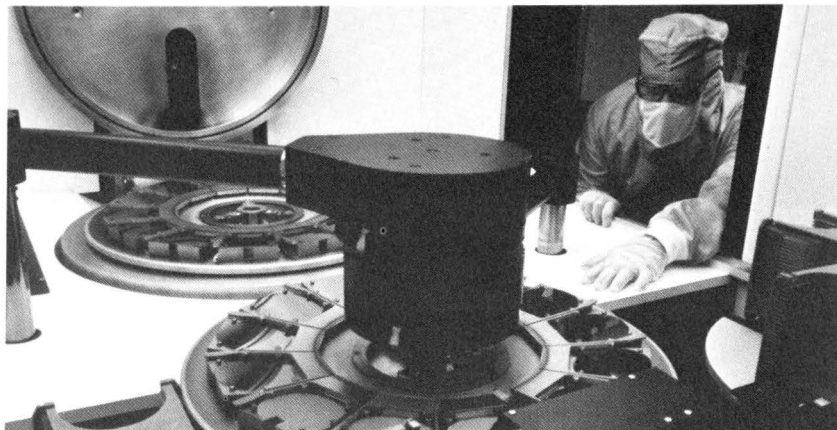
Despite historical trends in exports and foreign investment, Texas faces challenges if it is to maintain leadership in

these areas. Only about two in ten firms with the capacity to export currently do so. In addition, much of Texas' historical trade activity has been concentrated in energy, oil, and real estate—areas which may not hold promise for near-term expansion. In addition, while other states have been aggressively working with businesses to help expand trade opportunities, Texas has historically provided very limited support to encourage direct investment or introduce companies to export opportunities. In the future, a more proactive support role will be necessary to capitalize on available opportunities.

Technological Leadership and Innovation

Throughout our history, the Texas economy has relied on the development and application of new ideas to help spur our growth. For example, the railroad enabled commerce to flow east and west, not just toward the Gulf of Mexico. Improved drilling technology increased oil production. The development and application of the microchip in Dallas in the 1950's pioneered a new worldwide industry.

At a time when the competitive edge for mature economies is increasingly derived from the application of technology, U.S. and Texas superiority is eroding. Remaining highly competitive on a technological basis requires major commitments to research, training and retraining of workers, and development of new products and applications.



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Once gained, technological advantage is also difficult to maintain. Walt Rostow succinctly defined this challenge in a January 1988 article in *Business Month* entitled, "Danger and Opportunity."

The danger posed by the new technological revolution can . . . be quite precisely defined. . . . It lies in the fact that in certain key sectors of the economy, neither management nor labor has fully accepted the proposition that . . . economic survival . . . now depends on the pace of technological change.

Texas has taken some important steps to help encourage and sustain its technological base, including enhancing the funding of research at its major universities. Yet, the State will have to do more in the future.

Texas gets just five percent of Federal grants to colleges and universities in the areas of research and development and science and engineering programs. California, on the other hand, receives 14 percent of the available Federal funds in these two areas. New York, Maryland, Massachusetts, and Pennsylvania also

received more Federal funds for research and development and science and engineering programs in fiscal year 1986 than did Texas.

Texas has a significant high technology presence in Dallas-Fort Worth, Austin, San Antonio, and Houston. However, the total impact on the Texas economy is relatively small. Using a rigid definition of high technology (industries spending twice the national average on research and development), only 2.5 percent of the Texas economy is in high technology.

An important distinction between the prospects of our future technology resources and the State's current business and natural resource base is that the former is not tied to the land. Texans never had to worry that oil reserves would leave the State for a more attractive environment. However, human resources, especially highly skilled ones, are in constant demand and readily mobile. It is a fundamental reality, and Texas must take steps to ensure that it retains its technological resources.

Texas Business Resources

In addition to the various socio-economic trends which are shaping Texas' present and future, much of what we can achieve is related to our current business base. Texas' business strengths can easily be seen in several aggregate measures.

Twenty-eight Fortune 500 companies and 36 Fortune Service 500 companies call Texas home. The State has a strong entrepreneurial tradition. According to *Inc.*'s 1988 annual ranking of metropolitan economies, Texas has three cities in the 25 fastest growing cities for business starts,

with Austin ranked first, Dallas-Fort Worth listed as ninth, and San Antonio as twenty-first. Austin and Dallas ranked first and second respectively in having the highest business start-up frequency. Austin ranked tenth as a place where start-ups have the greatest chance of growth. Texas is ranked as having the third largest pool of scientists and engineers in the nation and is among the top five states in employment in computer manufacturing, precision instruments, and telecommunications.

Another of our State's major strengths is our markets—more specifically, the size of our markets. Our annual gross state product is over one quarter of a trillion dollars in constant 1982 dollars. We're a state of almost 17 million people and one of only two states with three metropolitan areas in excess of one million people each. Texas has 28 metropolitan areas, more than any other state. Eighty-five percent of the State's population lives in one of these metropolitan areas. Retail sales per household in Texas have steadily increased, to almost \$1,000 dollars more per household than the national average. In 1987, more than \$107 billion changed hands in Texas' retail stores.

Texas' rapidly growing technology sector is now home to innovative high technology organizations such as MCC, Sematech, the Superconductivity Center at the University of Houston, the Robotics Insti-

tute in Fort Worth, medical centers in Houston, Dallas, and San Antonio, and the recently announced Superconducting Super Collider.

Manufacturing, which provides 15 percent of total non-agricultural employment in the State, generates almost \$50 billion, or 16 percent, of the gross state product. This sector is largely responsible for the State's current economic expansion. Five manufacturing industries: chemicals, machinery, food products, electronics, and transportation, provide 59 percent of total value-added for manufacturing. These industries have major high-technology segments—indicative of the State's modern manufacturing base.

Of course, the State could not have achieved its current economic position without the traditional linchpins of the Texas economy: energy and agriculture.



Texas has been blessed with an abundance of natural resources. For more than 150 years, Texans have made their fortunes first by what they grew and grazed on the land, and later, by what they found under it. Our natural resources have been the backbone of the Texas economy, and we have been fortunate to have the talent and expertise to take advantage of them.

Texas is the leading energy economy in the nation. Our State either leads the nation or is second in the production of oil and gas, crude oil reserves, refining capacity, and rig count. Texas produces more than a third of the nation's natural gas and more than a quarter of its oil. We have almost twice the refining capacity of any other state and double the number of operating rigs. The technological expertise developed in Texas to support the energy industry is immense and is an important base for the future growth of our State.

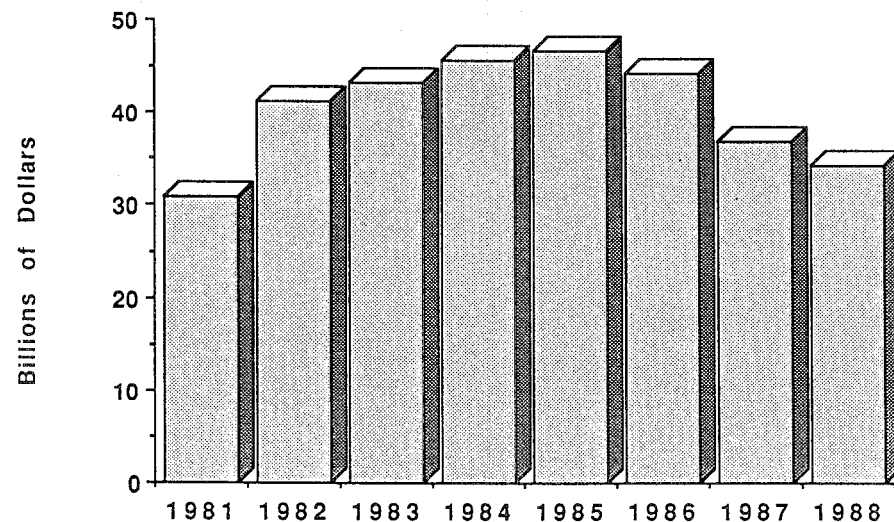
Cash receipts from agricultural products in Texas are second only to California among the states. Texas ranked sixth among the states with \$1.45 billion in ex-

port receipts in 1984. Texas either leads or is among the top five states in the number of farms and ranches, amount of farm and ranch land, and the production of cattle, sheep, goat, cotton, hay, sorghum, broccoli, honeydew melons, carrots, and rice. In all, Texas ranks in the top ten in the nation in the production of 42 different agricultural products, and first in 15 of those products.

While these business resources are impressive, Texas must face some major challenges as the economy continues to mature. The State is still heavily concentrated in industries that are forecast to experience actual declines or slower than average growth rates in employment levels over the next 10 to 12 years.

Another factor affecting business development is the lack of capital. Since the fourth quarter of 1985, business loans are down in Texas by over \$14 billion, almost one-third. While a shortage of capital affects business expansion plans at all levels, small and start-up companies are particularly hard-hit.

Texas Business Loans



Public Assets

In addition to the State's outstanding business base, Texas has a substantial investment in its public assets that helps create a solid environment for business—notably education and infrastructure. The Texas fiscal and regulatory systems also impact the State's businesses. As in most states, there are elements that are assets for Texas' future development and some that are in need of improvement.

In general, Texas' infrastructure, with the exception of water availability in some areas of the State, is in excellent shape and is well suited for the State's short and mid-term needs.

According to most projections, Texas will generally have sufficient water statewide to meet aggregate demands until 2000 under moderate use scenarios. Most Texas urban areas and areas less reliant upon agriculture will have sufficient water even for high demand water projections

through 2030. However, water shortages may be present under high demand scenarios in areas that rely heavily upon their water supplies for irrigation.

Texas' 285,000 miles of public roads, streets, and highways, the most extensive system in the nation, are generally in good condition. The State Highway Department spent \$2.7 billion in 1986 to maintain 72,000 miles of State highways, and the State Legislature has increased the Highway Department's budget by more than 200 percent from 1976 to 1986 to adequately fund highway improvements.

More than 93 percent of the State's population lives within 50 miles of an airport with scheduled passenger service. In fact, more than 50 airlines operate in Texas, serving 35 airports and handling more than 39 million passengers annually.



Texas is also a major shipping point with a total of 27 active ports. In 1985, Texas ports handled 245 million tons of commodities, with the ports of Houston, Corpus Christi, Texas City, and Beaumont-Port Arthur among the largest in the nation.

Texas has a strong higher education base including two outstanding flagship state institutions in the University of Texas at Austin and Texas A&M University. Both are major research centers. Texas colleges and universities, both public and private, not only train our brightest students, they also are a major source of knowledge and innovation, providing new ideas for Texas businesses and entrepreneurs.

However, there are problems which must be addressed. For example, while progress is being made in upgrading the State's public education system, overall levels of academic performance are still in need of improvement if Texas is to gain long-term competitive advantage from its large workforce.

In 1987, Texas ranked 44th among states in the percent of high school entrants who actually graduated. The dropout problem is evident in every group, but particularly so with minorities. More than a quarter of Anglo high school students, over a third of Blacks, and almost one-half of all Hispanics do not finish high school. In the aggregate, nearly one-third of Texas youth begin adult life without a high school diploma.

Among high school graduates who take the Scholastic Aptitude Test for college admittance, Texas students ranked 46th among the 50 states in scoring in 1987. Of those who actually enter college, 65 percent are deficient in math skills and fully one-third cannot read, write, and compute at levels needed for successful

work in college. Sixteen percent of Texans between 18 and 64 years of age are functionally illiterate, compared, for example, to one-half of 1 percent of the adult population in Japan.

At present, the delivery of vocational education in Texas is primarily by means of secondary schools, community colleges, the Texas State Technical Institute, health science centers, and proprietary schools. There are approximately 950 districts offering one or more vocational courses at the high school level, 49 community college districts operating 66 campuses, four Texas State Technical Institute campuses with two extension centers, six health science centers, and approximately 360 proprietary schools.

According to the Governor's Task Force on Vocational Education and Training, the above listed providers of vocational education operate independently, subject to program approval and periodic review by the Coordinating Board or the State Board of Education. While each entity has planned programs of services, the plans are generally developed by each individual institution. Additional cooperation and coordination is important to improve the State's overall training efforts.

The State's business climate is an important element of economic development. The complex set of fiscal, regulatory, and legal policies that comprise this climate must balance many diverse needs and interests. The costs, risks, flexibility, and stability of the rules affecting business are extremely important to our competitiveness. It is critical that policies related to the business climate are stable and fair and do not place Texas at a competitive disadvantage with other states.

The Texas business climate has many decided strengths including our right-to-work laws and the absence of personal or corporate income taxes. However, areas deserving close attention and action include the workers' compensation system, intrastate trucking, tort laws, and the judicial selection process.

Over the years, Texas has enjoyed a good tax climate. Today, the State faces a number of concerns with regard to its tax system, including:

- The amount of taxes that fall directly or indirectly on business;
- The effect on investment and growth of both the franchise tax and the sales tax on machinery and equipment; and,
- The overall rates for several of the State's major taxes.

These items, along with recent concerns related to the overall stability of the fiscal system, have led to discussions as to how a more moderate and balanced structure could be designed.

IV. The Charge

Strategic Planning in the Public Sector

For Texas to significantly improve its economic future, conscious and deliberate decisions must be made to move the State toward common and achievable goals. This is the essence of strategic planning.

Strategic planning has its roots in the private sector. However, strategic planning at the state government level is uniquely different from strategic planning conducted by a private firm. While private business can choose to enter new markets or develop new products, states generally attempt to influence business development by levels of service and the environment they create.

As a matter of public policy the state can:

- directly affect the cost of doing business through taxation policies and regulations;

- encourage and discourage business activities through specific policy decisions;
- directly and indirectly impact certain aspects of the quality of life such as parks, environmental quality, and crime prevention;
- determine the quality of the infrastructure by supporting improvements to highways, airports, and water systems; and,
- provide critical services, such as public education.

States have many alternative paths from which to choose. Strategic planning for the economic development of Texas involves making choices designed to capitalize on the economic strengths of our State—and to correct or mitigate weaknesses that exist.

The Strategic Economic Policy Commission

In 1987, the Texas Legislature created the Strategic Economic Policy Commission out of the realization that the Texas economy was changing, requiring a more consistent and comprehensive approach in the State's efforts to promote economic development and diversification.

The Commission is comprised of the Governor, the Lieutenant Governor, the Speaker of the House of Representatives, the members of the Board of Directors of the Texas Department of Commerce, and nine public members—three each appointed by the Governor, Lieutenant Governor, and the Speaker of the House of Representatives. The Governor serves as Chairman of the Commission.

The Commission was given the following principal charges:

- **Examine the competitive advantages and disadvantages of Texas as a place to do business and make recommendations for improving the business climate in the State; and,**
- **Develop a comprehensive, long-term strategic plan for diversifying and developing the economy of the State.**

In April 1988, a report was issued entitled, "Strengths, Weaknesses and Trends in the Texas Economy". Elements of the State's strengths and weaknesses are summarized in this plan. Additional detail is provided in the full report. This document fulfills the Commission's principal charge.

V. Elements of Success

The purpose of the Strategic Plan is to provide overall direction for the State's economic development efforts. Implementation of this plan will enhance the performance of the economy and will be measured in terms of increases in employment, per capita income, investment, business formations, and in the competitive position of the workforce.

Preparing the plan is only the start. A process must begin which keeps the guiding principles of this plan in the forefront. A system for follow-up actions is critical to the plan's success. Realizing that, the Texas Legislature, in creating the Strategic Economic Policy Commission, mandated that the Department of Commerce monitor, revise, and update the Plan as changes in the Texas economy occur. The State's government, education, and busi-

ness leadership, through a non-partisan public/private partnership, must continue to be closely involved in and committed to the planning process.

Implementation will require close cooperation between State and local entities.

There is a need for the various regions in the State to pull together in a common direction. Regional economic planning entities should be encouraged. Such entities should have a direct link with the Texas Department of Commerce and such regional organizations should have direct ongoing ties to the State's strategic economic planning process. The existing state planning regions represent local labor markets, and the associated Councils of Government provide an existing structure upon which to build local planning.

The State must ensure that rural as well as urban areas participate in and benefit from this planning process. Rural areas offer tremendous resources and opportunities for the State's growth. Implementation of this Statewide economic plan must recognize the special needs of these communities, and employ imaginative solutions which tap these areas' full potential.

Economic development is a long-term process. The State must have patience as it implements elements of this plan, and must resist "quick-fix" temptations which do not complement the long-term vision of the plan. Everything cannot be done now—a steady stream of targeted ac-

tions over many years will be required. Priorities will have to be set and occasionally adjusted to make meaningful progress.

Successful economic development will require dedication of resources. Adequate funding from the State is essential. However, every worthwhile program should return benefits to Texas many times over the State's initial investment. The ongoing planning process should assess the value of these programs.

The degree of success of this strategic plan will be determined by our ability to maximize these factors in implementing the plan.

VI. Where Do We Go From Here?

A Vision for Texas

The centerpiece of the State's strategic plan is the vision—a broad statement of what Texas can be.

This vision is by no means certain to become reality. In fact, as has been discussed, some trends are moving the State in the opposite direction. Strategic movement toward our vision requires setting

specific measurable goals and developing a strategic plan which takes into account the basic trends, builds on our strengths, and mitigates our weaknesses. Success will require aggressive and concerted implementation of decisive actions and allocation of critical resources to the plan's precepts.

The State of Texas will have a diversified and expanding economy that provides a level of opportunity and quality of life second to none as we enter the 21st century.

To accomplish this vision, Texas must be dedicated to a sustained effort to improve conditions for economic growth while meeting the challenges of an increasingly competitive world market. This can be accomplished by enhancing the competitiveness and expansion of existing Texas business, encouraging new business development, emphasizing investment in and application of technology, and effectively educating and preparing our workers for the new challenges.

Goals

To help determine our progress toward achieving the Vision, the Commission has identified six major goals.

- Texas' gross state product—the best general measure of the overall vigor of the economy—is projected to grow at a rate of 2.8%, just below the projected U.S. growth rate of 3%. **To fully achieve our vision Texas' gross state product must grow faster than the U.S. economy as a whole.**
- Texas has only exceeded the national average for per capita income once during the past nine years and currently ranks 14th among the 15 largest states. Decisive state action can help us **equal the national average by 2000 and be among the state leaders by 2010.**
- Texas has been a major job creator. From the mid-seventies to the early eighties Texas added some 2.5 million jobs to our economy. Unfortunately, this trend has slowed in recent years. **Texas must sustain an annual growth in employment in excess of the national average to ensure opportunity for all Texans.**

- The State has a large, young workforce. To ensure its competitiveness, the State should **increase high school graduation rates so that by 2000, three out of four students entering high school graduate, and our statewide adult literacy rate is at least equal to the national average. Ultimately, Texas must rank as a national leader in all areas of education.**
- Texas must augment its strong research base. **Texas should rank third in terms of public and private research activity by 2000.**
- Finally, the State should continue its heritage as an outstanding place to start a business. **Texas' business incorporations rate should be at least equal to the national average.**

Certainly, these are not the only measures which could be used to gauge the State's effectiveness in achieving the goals of the Strategic Plan. However, they do help assess the general direction in which the State is moving.

A Framework for the Future

In the process of analyzing the State's strengths, weaknesses, and economic, social and demographic trends, the Commission established a framework which shows diagrammatically that the strategic objectives naturally flow from the

strengths and weaknesses, economic trends, and the vision. Each of the four Strategic Objectives relates to a unique set of trends, elements of vision, strengths, and weaknesses.

Texas' Vision

A diversified, expanding economy including:

- A highly skilled workforce.
- An outstanding quality of life.
- A vital, competitive traditional business sector.
- Thriving new businesses.
- A major source of innovation and research.

Trends

- Increasingly competing in global markets.
- Shift to customized, high value-added products.
- Increasing rate of technological change.
- Competitive advantage increasingly derived from innovation and skilled, agile workforce.
- Small firms providing new jobs.
- Greatest job growth in trade and service sectors.
- Traditional industries unlikely to be a source of major growth in jobs.
- Population growing and aging.

Strengths

- Modern manufacturing base.
- Growing technological center.
- Solid base in higher education.
- Size and youth of workforce.
- Adequate infrastructure.
- Significant experience in international trade.
- Entrepreneurial tradition.
- Regional differences allowing for multiple strategies.
- Technical expertise and infrastructure in energy and agriculture.
- Central location.
- Large consumer market.

Weaknesses

- Skill and education achievement levels below national average.
- Tax system doesn't fit current economy.
- Regulatory and legal systems increase the cost of doing business.
- Lack of state-supported entrepreneurial assistance programs.
- Lack of aggressive state marketing programs.
- Capital shortage.

Strategic Objectives

- Develop a competitive and balanced set of fiscal, legal, and regulatory policies.
- Provide a skilled, flexible, and internationally competitive workforce.
- Encourage innovation and entrepreneurship.
- Market Texas aggressively.

The State's business climate is an important building block for creating an environment that encourages development and enhances opportunity. Today, Texas has a variety of problems with its business climate including certain aspects of the current tax structure. The State should have a set of fiscal and regulatory policies that neither directly nor indirectly hinders expansion. **Consequently, Strategic Objective 1 focuses on the need to develop a competitive and balanced set of fiscal, legal, and regulatory policies.**

In a world characterized by heightened global competition and technological change, the skill requirements placed on the workforce are increasing, especially in the developed economies. Yet Texas finds itself with a workforce with below-average educational attainment levels. Compounding the problem, students who have traditionally had the lowest attainment levels are in the fastest growing segments of the population. As a result, Texas runs the risk of having a large non-competitive workforce. These trends require us to make commitments today if we are to have a workforce capable of

competing in the 21st century. **As a result, Strategic Objective 2 addresses the need to provide a skilled, flexible, internationally competitive workforce.**

International competition and rapid technological change create an increasingly competitive and volatile business environment. In such an environment, technological innovation frequently is the major source of competitive advantage. Texas has a solid technological base and a strong entrepreneurial tradition. Despite these assets, Texas has historically provided minimal support to entrepreneurs and small businesses. A more proactive role will greatly enhance the State's competitive position. **Strategic Objective 3, then, addresses the need to encourage innovation and entrepreneurship.**

While the world is becoming more competitive, Texas has many strengths which make it an attractive place to locate. However, we can have the greatest assets in the world, but if not marketed properly we will not achieve our full potential. **As a result, Strategic Objective 4 requires us to market Texas aggressively.**



Special Considerations

In addition to comparing ourselves to other states and assessing our specific quantitative strengths and deficiencies, strategic planning also involves consideration of the unique features of the environment that are more qualitative in nature.

For example, we have a very large economy that dominates our region of the country. Unlike the New England area where the state economies tend to be more integrated, the Texas economy dominates those of the surrounding states. We can't count on riding the wave of whatever economic growth may be occurring in Arkansas, Louisiana, New Mexico, or Oklahoma.

Additionally, the Texas economy is comprised of many regional economies. These regional differences are an asset in that the diversity allows the State to offer almost anything a person or company might desire. However, the State must pay much attention to pulling these regions together so that economic development efforts are coordinated and complementary.

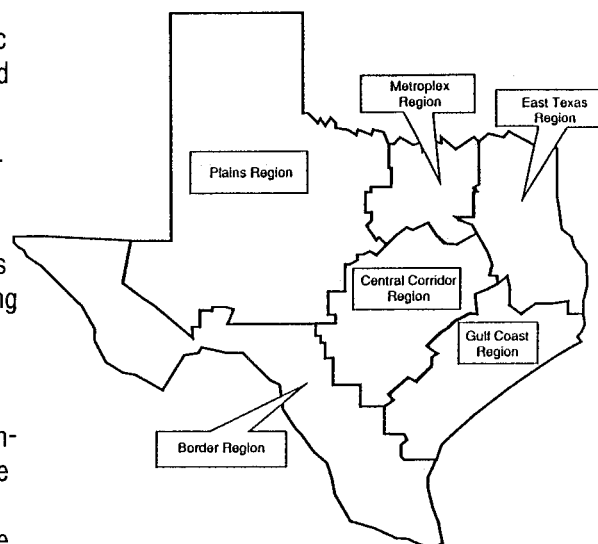
Second, our economy, despite the present economic growth, is perhaps more vulnerable than it appears on the surface. For example, while most forecasts show the manufacturing sector is leading the Texas recovery, we must recognize that some portion of that growth is associated with the current value of the dollar. We cannot be assured this advantage will continue. Texas cannot change the national or international monetary environment—just as we cannot set the price of oil or change the weather—although each has had a dramatic effect on the Texas economy. Just as impor-

tant as recognizing those things we must change to improve our economy, is the realization that there are some we cannot.

Third, we cannot be certain that any one strategy will provide us with sustainable advantage. Because of the size and diversity of the Texas economy, we cannot afford to focus, for example, on high technology at the expense of our traditional industries, or focus on traditional industries at the expense of emerging industries or tourism. Any strategies developed by the State must be broadly based so that they are supportive of all elements of the economy.

The following strategies and policies are aimed at that result.

Texas' Economic Regions



VI. The Strategies

Texans inherently expect a bright future. That's been our history. Thus, the major goals of this Strategic Plan are to provide a brighter future with greater levels of wealth, diversity, opportunity, and an environment that is conducive to growth. To realize these goals, the Strategic Economic Policy Commission, in this Plan, has focused on four primary objectives to guide Texas' economic future.

STRATEGIC OBJECTIVE ONE: Develop a competitive business climate through a balanced set of fiscal, legal, and regulatory policies, including investments in infrastructure.

The State's fiscal, legal, and regulatory environment—the State's business climate—lays the foundation and provides the rules under which private business conducts its activities. It is a critical part of any economic development strategy and should be a catalyst to growth.

Traditionally, a favorable business climate has been one of Texas' strongest assets and a primary source of the competitive advantage the State has long enjoyed. Whether the State continues to enjoy such an advantage in the national and international marketplace will depend on how existing business climate problems are addressed.



STRATEGY: Develop a fiscal system that provides equity and stability and promotes economic growth.

Texas must have a fiscal system that facilitates economic development. Such a system is characterized by stable and predictable policies which provide needed services; it does not impede investment in

the State for new or expanding businesses; and, it compares favorably with the fiscal policies of our competitors.

Our tax system should (1) raise sufficient revenue, (2) stimulate investment, (3) not discriminate between taxpayers as a result of products or services sold or form of business organization, (4) maintain a tax burden in line with our competitor states, and (5) be stable and predictable with regard to coverage and rates.

Careful attention needs to be given to reducing or eliminating aspects of our tax system that may discourage investment in Texas. Specific tax issues that should be addressed include the corporate franchise tax, the property taxes on inventory, and the sales tax on machinery and equipment.

Equally important are stable and predictable budgetary policies. Activities that are basic to the development of the State should be supported by long-term commitments. Texas has shown great foresight in this area with our commitments to our schools and universities, our natural resources, and our transportation system.

Important strides in this area have been made with the development of sophisticated budgeting and budget execution procedures and through the concentration of efforts exemplified by the creation of the Texas Department of Commerce.



STRATEGY: Reduce regulatory and legal impediments to economic development.

As Texas strives to diversify its economic base and encourage new and expanded

business activity, it must be particularly attentive to the direct and indirect costs imposed on business by the regulatory and legal processes. These factors must compare favorably with other states for Texas to be an attractive choice for business expansion and location.

Both businesses and individuals ultimately bear the costs of excessive litigation. The workers' compensation system should be a non-adversarial means to provide fair compensation for injured workers in the most cost-effective manner possible. Tort laws must be as fair to business as in any other state while providing reasonable compensation for personal injury. The judicial process must be perceived as fair to all concerned.

Significant deregulation of interstate commerce has taken place in the last several years. Today, a variety of interstate rates are generally less costly as a result of more competitive markets. However, in Texas, intrastate economic deregulation of key industries has not proceeded at the same pace, resulting in disparities between intra- and interstate regulatory environments. These disparities, when they result in higher costs in Texas, put the State at a competitive disadvantage. In particular, intrastate trucking regulations should be reviewed to ensure that they do not provide disincentives to economic development in Texas.

Other regulatory policies should be examined to ensure that Texas is not more restrictive than national norms and that regulations are appropriate for evolving industry situations. Permitting should be streamlined where possible so as not to cause unnecessary delays for business growth and yet remain consistent with other State policies to protect the environment, health, and welfare of Texans.



STRATEGY: Continue timely investments in the State's infrastructure.

Texas has been well served by a history of proactive infrastructure investments critical to the State's growth and its quality of life.

For example, the replacement value of the 72,000 mile State highway system alone is in excess of \$100 billion. In total, Texas has approximately 285,000 miles of city, county, and state roads, more by far than any other state. In no small measure, the size of the system is a function of the size of our State and the need to transport goods efficiently across large distances. But, it is also due in part to the wisdom of the State in understanding the significant role an adequate transportation infrastructure can play in economic development.

The same is true with respect to shipping and airports—witness the impact of the Port of Houston and Dallas-Fort Worth International Airport in their respective areas.

The State's wisdom in making long-term infrastructure investments has led to the creation of a modern and efficient system of support for the economy. To further economic development and diversification it is critical that the State sustain and enhance these investments, paying additional attention to the availability and quality of water, the environment, utilities, and telecommunications. Other elements of the infrastructure such as public parks and wildlife resources are important to the quality of life in Texas.

STRATEGIC OBJECTIVE TWO: Provide a well skilled, flexible, internationally competitive workforce.

Although Texas possesses a large and relatively young workforce, its overall skill and achievement levels must improve in order for the State to be a top economic contender.

Current performance measures are not as strong as they should be. Texas ranks 38th among 50 states in median year of education. Sixteen percent of the State's adult population is illiterate, ranking the State 47th in adult literacy. Approximately one half of all Hispanics, one third of all Black, and one quarter of all Anglos do not complete high school. SAT scores in Texas are 31 points below the national average.

The facts are even more distressing considering the increasing complexity of the skills required in the workplace and Texas' changing demographics.

Forecasts reveal that the fastest growing segments of the Texas population in the next 12 to 20 years will be those who have historically had the lowest levels of educational achievement. According to national studies, the jobs in the highest demand by the turn of the century will require higher skill levels. These trends suggest that without an increased emphasis on preparedness, Texas' large labor force could quickly turn from an asset into a liability.

Once basic skills are mastered, workers must enhance their skills and acquire completely new ones in order to remain productive in the changing economy. Those states that develop programs to enable workers to easily upgrade their skills over their working lives will gain competitive advantage.



STRATEGY: Improve and expand educational services that ensure fundamental basic skills—including literacy—for all Texans.

Texas must continue the emphasis placed on improving public education as identified in the long-range plan for public education adopted by the State Board of Education in January, 1987. Additionally, high priority must be given to coordinated adult literacy and drop out prevention programs.



STRATEGY: Develop a responsive, integrated system for technical and vocational training and retraining.

It is estimated that by the year 2000, three out of every four jobs will require training beyond a high school education. Texas must have a superior system of vocational and technical training to meet the labor market demands of the 21st century.

The State's master plan for vocational education should be aggressively pursued. This will require better coordination between State agencies and training organizations and the private sector to match skill development with labor market needs. The State system of universities, community colleges, and technical institutes represents an important vehicle for providing technical and vocational training.



STRATEGY: Improve the quality and responsiveness of higher education to meet the needs of a changing Texas economy.

One of Texas' major strengths is the quality of both its public and private higher education institutions. Commitment to

that system is reflected in the fact that counting public institutions alone, there are 49 junior colleges, 37 public universities, 4 law schools, 13 engineering schools, and 8 medical schools in the State.

Our system is a world leader in areas as diverse as engineering, business management, and the life and physical sciences. To maintain this leadership, the higher education system must continue to receive sufficient funding and produce the highest quality graduates. In addition, the system must be responsive to the needs of the changing Texas economy including development of new curricula offerings in areas like international studies, addressing the needs of a diverse student population, and meeting increasing demands for life-long learning.



STRATEGY: Pursue programs which encourage the positive contributions of all citizens.

Support should be given to a balanced system of health, human services, and criminal justice programs designed to enhance the productivity, potential, and self-sufficiency of all Texans.

As is the case of other states, some Texas residents live in poverty and face barriers that impede progress toward self-sufficiency. We must proactively pursue programs which provide services to this population segment to encourage their positive contribution to society. Attention should be paid to the growing problem of access to adequate health care delivery, particularly in rural areas.

STRATEGIC OBJECTIVE THREE: Encourage innovation and entrepreneurship.

While entrepreneurial activity has always been critical to Texas' development, technical and financial assistance have historically not been provided at the State level. The majority of other states provide such support.

In Texas, 94 percent of all business enterprises are classified as small businesses and approximately three out of five of these businesses fail in the first few years. The rate of failure is increasing. Clearly, the State's economic recovery requires aggressive actions to encourage the survival and expansion of small businesses.



Enhancing small business performance alone will not guarantee a prosperous future for Texas. Further growth and diversification will occur as mature industries develop innovative products and services. Additional research, commercialization, and technology transfer from universities to the private sector will be critical.



STRATEGY: Aggressively pursue the research, development, transfer, and commercialization of innovative processes and new technologies.

Texas has become a major research center. Concentrations of intellectual resources have been assembled in our major universities, our medical centers, our defense and electronics industries, and in research consortia. However, Texas still trails leading states in attracting Federal research projects and labs.

There are a number of steps the State should take to further develop the technology base. Texas should continue to fund basic and academic research programs, and consider the creation of a new research program for commercial and applied research—jointly sponsored by government and industry. Also, the State should support university-based technology transfer and commercialization programs and related information networks.



STRATEGY: Increase capital availability.

No new idea can come to fruition without capital. Restructuring of the State's financial institutions has caused a shortage of conventional commercial capital. Additionally, there may be structural gaps in the financial market. Since large businesses generally have access to financ-

ing, any capital shortage falls the hardest on new and small businesses. The more risk involved and the less equity, the harder it is to obtain financing.

The State should consider options that use public resources to leverage private capital and increase the availability of venture capital. In addition, changes in State law to allow individuals access to the equity in their homes may provide other sources of capital for small startup companies. Such options should be studied to determine their viability for increasing entrepreneurial activity in Texas.



STRATEGY: Support management assistance programs to assist entrepreneurs and small businesses.

Texas' entrepreneurial tradition is a fundamental part of our successful business heritage. Today new business starts are still strong, but failures are up. It is imperative that the State assist small businesses in increasing their success rate since we depend upon them to create job opportunities. Counseling, training, procurement assistance, permitting, and other management services offered around the State should be coordinated and expanded with increased State support.

STRATEGIC OBJECTIVE FOUR: Market Texas aggressively.

Traditional economic sectors of the State's economy have held the key to Texas' past and should provide a major part of the foundation on which our future will be built. Agriculture is the State's largest source of renewable wealth; manufacturing provides value-added lifeblood to the State's economy; the energy sector will continue to comprise more than 15 percent of the State's economy through the year 2000.

In addition to its strong industrial base, Texas represents one of the largest, most dynamic consumer markets in the United States. This large market, coupled with our central location, make Texas the natural home of trade and distribution throughout the United States and the world.

While blessed with a variety of market assets, until recently Texas has not promoted its opportunities. The recent creation of the Texas Department of Commerce and its associated marketing programs represent an important initial step. These efforts should be expanded to become a fundamental part of State policy.



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STRATEGY: Aggressively promote expansion and location of companies in Texas which contribute to fulfillment of the State's strategic objectives.

Texas has ample opportunities to capitalize on its strengths by supporting business expansion and recruiting companies to Texas. These efforts should be coordinated with local and regional entities to ensure that expansion efforts capitalize on Texas' strengths.



STRATEGY: Increase export assistance and international trade development.

Texas exported nearly \$20 billion worth of goods in 1987, ranking second among all states, and Texas is home to billions of dollars of foreign investment. Texas, like many states, actively involves only a fraction of its businesses in international markets. The State should support programs that help Texas businesses sell in foreign markets and assist organizations in evaluating Texas for investment opportunities.



STRATEGY: Aggressively market Texas as a place to visit and to retire.

The tourism promotion effort begun in 1988 has indicated a high level of interest in Texas as a travel destination. This advertising campaign should be expanded to national and international markets to build on travel and tourism's significant contribution to the Texas economy.

VIII. Items for Immediate Action

Many actions over the next several years will be critical to the successful implementation of this strategic plan. The following actions can have an immediate positive impact on the economy. In the final analysis, these issues—and associated financing requirements—must be balanced against other demands for public resources. Structured public-private funding arrangements should be pursued when appropriate.

As important as these actions are, they are not ends in themselves. They are part of a long-term process of improving the economy.

Strategic Objective 1:

TAX STRUCTURE: Modifications should be made to the present tax structure which will stimulate growth, enhance Texas' competitiveness with other states, and provide predictability to the State's fiscal needs.

The following actions should be considered for near term action:

- Enhance the phase-out of the sales and use tax on machinery and equipment used for manufacturing. This should provide a further incentive for major capital investment and jobs creation.
- Repeal inventory taxes on goods in transit. This is also an important stimulus for business development and is an area where Texas is not competitive with neighboring states.

Additional changes to the State's tax and fiscal system may be necessary. Among items for consideration include

restructuring the franchise tax and simplification of the State's sales tax. Any proposed changes in tax structure should give consideration to the recommendations of the Select Committee on Tax Equity.

WORKERS' COMPENSATION: The cost of workers' compensation insurance has risen to a level which places Texas in a non-competitive position with other states and is a major deterrent to business retention and expansion. The system's costs were 36 percent above the national average in 1986, and have increased several times since then. The present system must be overhauled as soon as possible to reduce costs while providing compensatory benefits to injured workers.

Any proposed changes to the system should give consideration to the work of the Select Committee on Workers' Compensation.

TORT SYSTEM: Continued progress needs to be made to provide predictability and cost effectiveness in the civil justice system. Texas' tort laws must be as fair to business as those of any other state while providing reasonable compensation for personal injury. Progress in liability and tort reform needs to be pursued to enhance the State's business climate.

For example, the Texas Deceptive Trade Practices Act must balance the interests of consumers with the concerns of business and industry for predictability and protection from unnecessary risk.

The crisis in medical care demands a constant evaluation of medical malpractice liability costs that fall particularly hard on rural hospitals and physicians.

The solution to all these civil practice issues demands a legislative response in order to make our State even more competitive for economic expansion.

JUDICIAL SELECTION: Trust and confidence in the judiciary are critical to a positive business climate. Court decisions directly impact the risk of doing business in the State. The system must be perceived as fair, favoring neither plaintiff nor defendant.

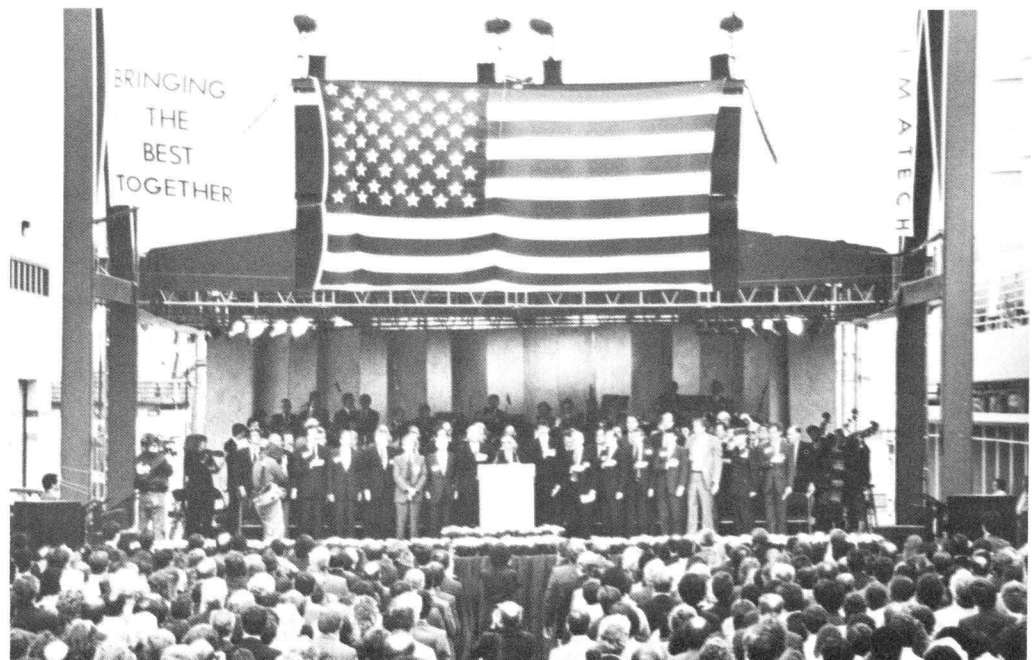
The present system should be changed. Changes to the judicial system should give consideration to the work of the Joint Committee on the Judiciary.

TRUCKING REGULATION: The natural advantages Texas has for distribution-related businesses, because of its large consumer market and outstanding highway system, should be complemented by forward looking regulatory policies. Intrastate rates must be competitive with the interstate rates in order to encourage more food processing in the State, attract

maquiladora suppliers, and encourage growth of manufacturing concerns in the State.

The Railroad Commission must continue to develop and enforce policies that balance industry needs with economic development opportunities by making intrastate rates competitive with interstate rates and allowing for easier entry into the industry while at the same time ensuring that services are provided statewide.

SECURITIES LAWS: Securities laws in Texas should be modified to be more consistent with the Federal system of full disclosure. The Texas system is based on a review of the merits of the securities by State regulatory authorities, leaving in their hands, rather than in the market, the determination of whether a company should be publicly financed. Such a system adds untimely delays and significantly hinders the growth of new and growing businesses by limiting their access to the public capital market.



FEDERAL POLICIES: We cannot merely address issues over which state and local government have control, additionally we must make a concerted effort to effect Federal policy. Examples where Federal policies are critical to Texas include energy, agriculture, trade, and environmental issues. The Office of State-Federal Relations in Washington, D.C. will be important to supporting our Congressional delegation in lobbying for Texas' interests. It must receive support from the State in order to represent the State's interests effectively.

Strategic Objective 2:

ADULT LITERACY AND DROPOUT PREVENTION: A comprehensive set of programs available to youth and adults should be developed to improve literacy and basic skills. Also, a focal point should be provided at the State level to assist local efforts to ensure that literacy and dropout goals are reached.

TECHNICAL AND VOCATIONAL TRAINING COORDINATION: More coordination is needed between all State agencies involved in workforce development to bring cohesiveness and efficiency to technical and vocational training, including job training services. Performance accountability must be strengthened. In addition, a clearinghouse should be established to guide workers and businesses to resources best suited to their needs.

At the local and regional level, a joint public-private sector planning process should be implemented as soon as possible to prepare people more effectively for labor market demands and opportunities. A formal regional system should be established taking into consideration existing State Planning Area boundaries. Such efforts should be closely

linked to the key State agencies involved in workforce development.

Regional planning should better coordinate administration of the Job Training Partnership Act with other workforce development programs. Key local organizations include private industry councils, councils of government, community colleges, independent school districts, education service centers, Texas State Technical Institute, proprietary schools, universities, chambers of commerce, and the business community.

INDUSTRIAL START-UP TRAINING:

Texas must provide the means for its workforce to be retrained as new technologies emerge. The State should expand and enhance its Industrial Start-up Training Program to a level competitive with other leading industrial states. This customized training program provides important incentives for plant expansion and locating new industrial plants in the State.

BASIC EDUCATION: No time should be lost in focusing concerns, initiatives, and support of parents, businesses, and government at all levels on education improvements for our elementary and secondary schools.

Strategic Objective 3:

STATE-SUPPORTED BUSINESS DEVELOPMENT PROGRAMS: The State can be an important catalyst for capital and business assistance programs critically needed for start-up and expansion of small-to-medium-sized companies, including those in rural areas.

In the area of financing, the State could initiate a development fund to be used to leverage private resources. The State's role in such a program should be co-optive as a guarantor rather than a

substitute for commercial banking. Such a proactive finance program could include:

- a loss reserve program to cushion the risks of lending institutions' loans to small businesses;
- provisions to encourage Small Business Innovation Research (SBIR) Grants;
- funding support for small business assistance programs such as the Small Business Development Centers. This program presently receives Federal support through the Small Business Administration.

Finance alternatives should be carefully analyzed by a committee organized for this purpose, with specific program recommendations made to the Legislature.

RESEARCH AND DEVELOPMENT: The State should continue to support the Advanced Technology and Advanced Research Programs. These programs should be limited to academic research. A new program should be considered to emphasize commercialization of technology. If leveraged against private capital, this fund would become an important source of capital for start-up ventures and product development.

TECHNOLOGY TRANSFER: A strong link is required for the flow of ideas and information between higher education and the private sector. The State should give consideration to funding major university-based technology transfer programs such as the Texas Innovation Information Network System. These technology transfer programs should be closely coordinated with the Texas Department of Commerce.

Strategic Objective 4:

TARGETED RECRUITMENT: Texas should expand a targeted recruitment program to attract and expand businesses which complement the State's major strengths. Examples of areas where significant job opportunities are apparent include value-added agri-business production, food and fiber processing, natural gas production, chemical processing, trade, health care, electronics, aerospace, biotechnology, computing, instrumentation, communications, suppliers and businesses related to maquiladoras, and the visitor and film industries.

As part of the process, attention should be given to linking regions of the State and the resources of State agencies. In developing specific initiatives, the State's rural development needs should be taken into account.

VISITOR PROMOTION: Texas' visitor promotion campaign should receive funding sufficient to provide advertising throughout the United States and abroad. This advertising should be closely coordinated with the travel, recreation, and tourism industry in order to leverage the maximum impact. Packages should be developed which give travelers options in seeing several different communities in a single trip to Texas.

INTERNATIONAL TRADE: Exporting and reverse investments have a significant bearing on job creation and economic growth. Opportunities in both areas should be pursued aggressively, including support for State offices in Asia, Europe, and South and Central America and expansion of export development efforts.

STRENGTHS AND WEAKNESSES TASK FORCE

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Ernesto Ancira, Jr., Ancira-Winton
Marjorie Kastman, Kastman Oil Company
H. Scott Caven, Goldman Sachs & Company
John Watson, Vinson and Elkins
Bill Shelton, Comerstone Investment Group

Speakers:

Dr. Kenneth Ashworth, Texas Higher Education Coordinating Board
George Barclay, Federal Home Loan Bank of Dallas
Janet Beinke, Texas Research League
Byron Blaske, State Department of Highways and Public Transportation
Dr. Helen Baca Dorsey, Texas Engineering Experiment Station
Billy Hamilton, Select Committee on Tax Equity
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Dr. Vic Arnold, University of Texas at Austin
Scott Bennett, *Dallas Morning News*
Ernie Cortes, Industrial Areas Foundation
Michael Cox, Federal Reserve Bank Dallas
T.H. Dippel, Jr., Brenham National Bank
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Scott Fosler, Committee for Economic Development
Kenn George, American Medical International
John Lindley, The Lindley Group
Robert McKinley, Control Data Business and Technology Center
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Dr. Nancy Speck, Stephen F. Austin State University
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Richard Williamson, Film Commission of North Texas

NEW BUSINESS DEVELOPMENT TASK FORCE

Commissioners:

Chairman: Dian Owen, Owen Healthcare, Inc.
John Sammons, Jr., McLane Food Service

Members:

Bill Barnett, First National Bank
R.O. (Dick) Busby, Busby Maintenance & Construction Company
Ted Cadou, West Texas SBDC
Beverly Davis, Austin/Travis County Private Industry Council
Ken DeAngelis, Austin Ventures
L.B. Gatewood, La Gloria Oil & Gas Company
Dr. Jon Goodman, Gulf Coast SBDC
State Senator Ike Harris
Dick Huebner, Houston Business Council
Don Lawhorne, MESBIC Financial Corporation
Bob McKinley, Control Data Business & Technology Center
Clyde McMahon, Sr., Clyde McMahon Concrete Company
Bill McNinch, Southeast Texas, Inc.
Patty Mueller, Mueller Engineering Company
Tissa Porter, The Porter Agency
A.W. Riter, NCNB-Tyler
Ben Rodriguez, San Antonio Hispanic Chamber
Bob Shepard, Cococza, Lopez, Shepard, Snyder & Walton
F.L. (Steve) Stephens, Texas Chamber of Commerce
Rice Tilley, Law, Snakard & Gambill Attorneys
Dr. Diane Troyer, El Paso Community College
Barbara Wilson, Women's Chamber of Commerce

TRADITIONAL INDUSTRIES TASK FORCE

Commissioners:

Chairman: Marjorie Kastman, Kastman Oil Company
Robert Cizik, Cooper Industries
James Lesch, Hughes Tool Company (Retired)

Members:

Ed Adams, IBM
Charlie Anderson, General Dynamics
Jay Anderson, Prairie Commodities
State Senator Richard Anderson
George Becker, Jr., Sea World of Texas
Dr. Don Carlton, Radian Corporation
Dr. Neville P. Clarke, Texas A&M University
Dr. Rinn Cleavelin, Texas Instruments
Jim Cochrane, Texas Commerce Bancshares
Carl Cox, Natural Fibers and Food Protein Commission
James G. Easter, Jr., Mason and Easter
Dr. Bill Fisher, University of Texas
Joe Foster, Tenneco
Robert Gowens, Randall's Food Markets, Inc.
Adolph Hanslik, Hanslik Cotton Company
Jerry Harris, Mesa Gin
Morris Johnston, AT&T
Samuel A. Lackey, Shell Oil
Carmelo Macias, Carmelo Macias & Associates
Larry Mathis, Methodist Hospital
Frank McBee, (Retired) Tracor
Don Michie, UTEP
Michael O'Donnell, Arthur Anderson & Company
Marilyn Patterson, PetroSciences
Ken Rogers, Independent Insurance Agent
Harvey Rosenblum, Federal Reserve Bank
Charlie Scruggs, Torado Ventures
Wayne Showers, Griffin and Brand
State Representative Ashley Smith
Freeman Smith, Exxon
S.M. True, Jr., Farm Bureau
Chet Upham, Upham Oil & Gas Company
R.C. Williams, Robco Janitorial Supplies & Services Company
Irene Wischer, Panhandle Producing

BUILDING AND SUPPORTING GOVERNMENT/ BUSINESS COOPERATION TASK FORCE

Commissioner:

Chairman: Ernesto Ancira, Jr., Ancira-Winton

Members:

State Senator Kenneth L. Armbrister
Bob Brown, Bob Brown Motors
Gary Brunner, Commonwealth Bank
Malcolm Clark, Texas Association of Regional Councils
Stephanie Coleman, San Antonio Economic Development Foundation
Dave Cox, Texas Association of Private Industry Councils
John Dodd, Dallas Black Chamber
Pat Eisenhower, Corpus Christi Regional Transit Authority
Homero Galacia, El Paso Chamber of Commerce
Elizabeth L. Ghrist, Carriage Realty
Horace Grace, Federal Acquisition Consultants
Dr. Jared Hazleton, Mesa Petroleum
Joseph James, City of Austin
Pete Martinez, TAMACC
Bill Melton, Texas Association of Counties
Laurin Prather, Lubbock Board of City Development
Dr. Herbert Richardson, Texas A&M University
Florence Shapiro, Texas Municipal League
Mark Sinclair, Ernst & Whinney
Dr. Louis Stern, University of Houston
Arthur Torres, Maquilamix
Gary Vest, Abilene Industrial Foundation
Dr. Bud Weinstein, Southern Methodist University