



Get Some Green Back from Texas
PAGE 3



Texas Auto Dealers Taking Rough Ride
PAGE 6



Money for Rebuilding in Galveston
PAGE 10

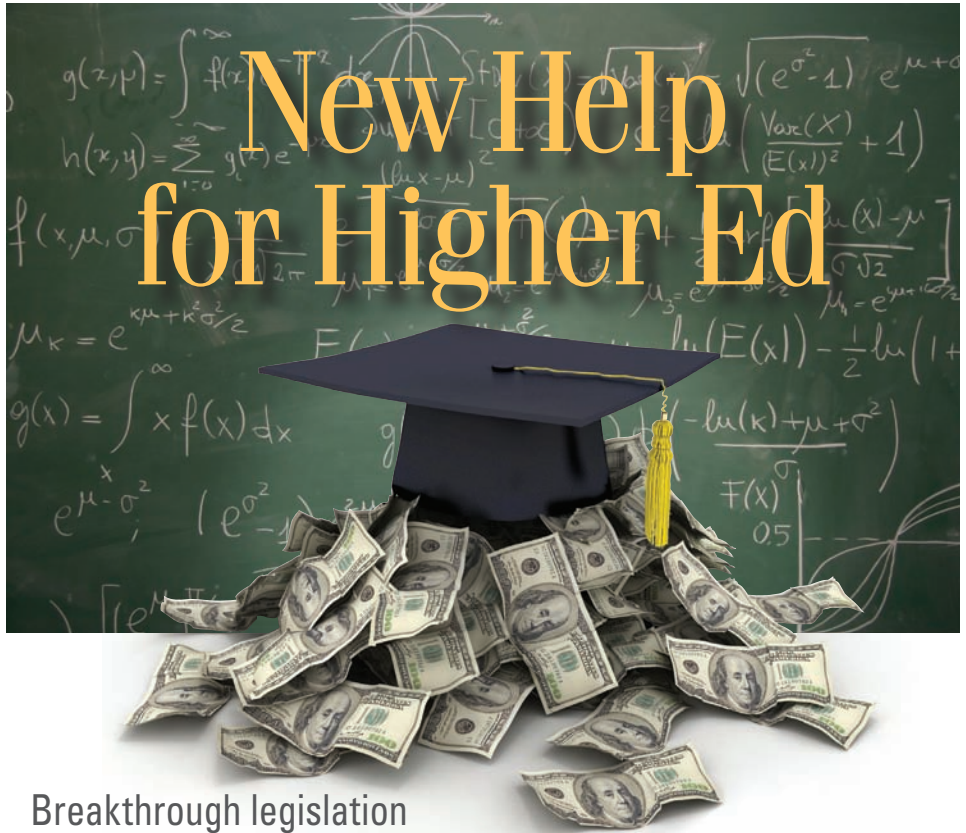
FISCAL NOTES

A Monthly Review of the Texas Economy from the Office of Susan Combs, Texas Comptroller of Public Accounts, August 2009

JUNE REVENUE (IN MILLIONS): SALES TAX: \$1,579.4 OIL PRODUCTION: \$65.8 NATURAL GAS: \$50.1 MOTOR FUELS: \$258.4 MOTOR VEHICLE SALES: \$216.1 TOBACCO: \$125.8

Around Texas

- Houston's Rice University has received \$11.1 million in federal stimulus money that will go toward the construction of a new 110,000-square-foot physics building. The \$44.5 million Brockman Hall for Physics is expected to open in spring 2011.
- In June, Woodbine Development Corp. and Hyatt Hotels and Resorts broke ground on a \$30 million Hyatt Place Hotel project in Sugar Land.
- The Texas Department of Transportation has chosen Atlanta-based Archer Western to build Woodall Rodgers Park, a five-acre urban park plaza that will straddle Woodall Rodgers Freeway in Dallas.
- The Cruise Lines International Association reports that the cruise industry contributed \$1.1 billion in direct spending and more than 18,600 jobs to Texas in 2008.



New Help for Higher Ed

Breakthrough legislation in the 2009 session

The 2009 session of the Texas Legislature ended as they often do, in a swirl of last-minute votes and sheaves of dead bills. But despite the typically chaotic nature of the session, Texas lawmakers made important contributions to the state's colleges and universities.

New legislation will add to the state's list of universities, encourage the growth of scientific research, increase financial aid and

help community colleges produce competent technical workers trained on the latest equipment.

Some highlights of the 2009 session's higher education initiatives include:

ADDING TIER 1 SCHOOLS

One major goal of the 2009 Legislature is increasing Texas' number of "Tier 1" universities. Tier 1 is a common label for the

A Letter from the Comptroller

Everyone, I suppose, has had an unsatisfactory experience with government. In my case, it was a proposed power line and a patronizing electric co-op official, some 22 years ago.

My Brewster County neighbors and I couldn't understand the need for 100-foot transmission towers alongside the Del Norte Mountains in the Big Bend. It wasn't as if the Marathon Basin, where I'm a fourth-generation rancher, was becoming overpopulated.

When I pressed for an explanation, the co-op official responded, "If I explained it to you, you wouldn't understand it."



Suffice it to say, my neighbors and I went to work. My fellow ranchers kicked in \$1,200 for expenses; I researched the issues and wrote the legal briefs; and the Public Utility Commission ruled in our favor.

We also found a \$125,000 substitute for the \$12 million transmission line.

It was my first turn at political activism. I discovered that a handful of folks can make a difference. I also learned that good data make for good results.

The Comptroller's office is all about good data bringing good results.

In this issue of *Fiscal Notes*, we look at the new laws that affect you: tax relief for small businesses, the legislative response to Hurricane Ike and the state's greater commitment to higher education.

Of course, our involvement with the issues of the day doesn't begin and end with a legislative session. Before lawmakers convene, we monitor the economy to determine how much money the state has to spend. During the session, we advise them on the financial ramifications of their proposals. And afterwards, we're often asked to monitor the results.

Unlike that co-op official long ago, we operate on the theory that, if we can explain it, you'll get it.



Susan Combs

Getting Back Your Green

Reconnecting Texans with their unclaimed property

You — yes, you — may own part of a \$2 billion treasure trove held by the Texas Comptroller's office. That's the estimated value of unclaimed property — including overpayments, co-op dividends, abandoned bank accounts, royalties and the contents of safe-deposit boxes — that state law requires the Comptroller to hold for its rightful owners.

“Many folks could use some extra cash right now, and we want to give Texans back their property, whether it is personal property or money that could save taxpayer dollars by going back to city and county treasuries,” says Comptroller Susan Combs.

In fiscal 2008, the Comptroller's office returned \$123 million, about \$3.3 million more than in 2007. Combs wants that figure to rise, and has ramped up her office's efforts to reunite Texans with their unclaimed property.

The average claim paid out to individuals is about \$1,000, according to the Comptroller's Unclaimed Property division. Many claims are much higher, although no one has come close to Dallas resident Winston D. Johnson, who claimed and received nearly \$4.3 million in 1996.

You can search for unclaimed property by looking for your name in an annual insert published in newspapers around the state. Nearly a decade ago, however, the Comptroller's unclaimed property hoard went online, in a database allowing anyone to search for their names and file a claim to have their funds returned. The Web site, www.ClaimItTexas.org, is updated regularly with new property received by the Comptroller's office.



LOCAL GOVERNMENT DOLLARS...

Some unclaimed property is owed not to individuals but to units of local government. The Comptroller's Local Government Assistance (LGA) and Unclaimed Property divisions have teamed up to tell 254 Texas counties and 900 cities about money they could be owed. For some counties and cities, the property comes to only a few dollars, but for others the amount can be substantial, such as Harris County's \$284,146.

LGA Deputy Director Linda Shirck says these government entities could have dozens or hundreds of individual claims. Her department's staff has contacted auditors and treasurers in communities across Texas. Ten counties and four cities are owed unclaimed properties valued at more than \$50,000 each; another 11 communities could be owed more than \$25,000.

“Different tools have been used — letters and publications — but they weren't working,” she says. “A telephone call is more personal, and our staff is getting better results.”

...AND MONEY FOR YOU

But the Comptroller's recent efforts aren't aimed simply at governments. Outreach specialists Korry Ingleman and Amy Redmond visit events around the state to help Texans search for unclaimed property.

From March to July 2009, they attended 15 events — from motorcycle rallies to a meeting of the State Bar — that yielded 749 claims for a total of \$256,294.73.

“We attend high-traffic events that draw crowds from neighboring counties to maximize the number of people who can find out about Texas unclaimed property,” Ingleman says.



Comptroller employees are promoting unclaimed property searches throughout Texas.

To look for your unclaimed property, visit www.ClaimItTexas.org or call 1-800-654-FIND (3463) to request a search. You can search online for as many names as you wish; phone searches are limited to three names.

Outreach also includes contacting rural Texans and enlisting the help of local officials such as county treasurers who can help track down people in their communities. **FN**

You can find out more about Texas Unclaimed Property or search for yourself, your family and your friends at www.ClaimItTexas.org.

DID YOU KNOW?
The Comptroller's office estimates that one out of every four Texans has unclaimed property. For more fast facts about unclaimed property, visit *Fiscal Notes* on the Web at www.FiscalNotes.com

Life Sciences Thrive in Texas



West Texas reaches for share of biotech.

Abilene was born as a railroad stop for 19th-century cattle ranchers — but wants a future in biotechnology.

“It’s one of the most rapidly growing sectors in the state economy,” says Richard Burdine, chief executive officer for the Development Corporation of Abilene (DCOA). “The average annual wage is much higher than in manufacturing.”

The DCOA has committed \$3 million over five years to a newly established Center for Immunotherapeutic Research housed at the Texas Tech University Health Sciences Center (TTUHSC) School of Pharmacy in Abilene. Participating scientists and faculty members will research biotechnological applications that could detect and fight disease.

Abilene is one of many Texas cities looking to capture more of the booming life sciences industry, which in 2008

generated \$75 billion in the Texas economy, according to a 2009 report by the Texas Healthcare and Bioscience Institute (THBI).

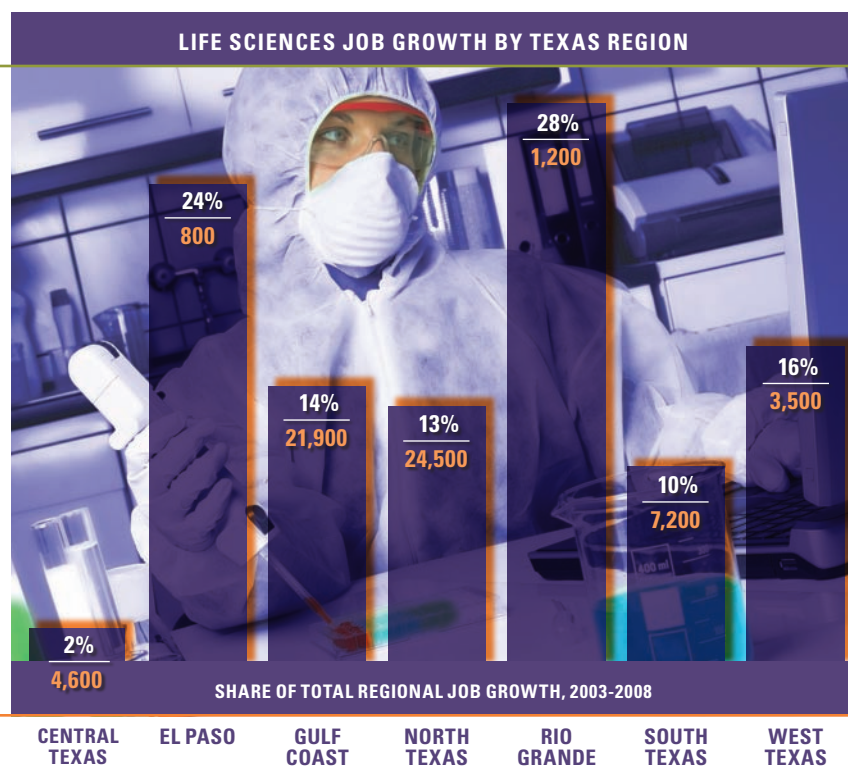
FULL OF LIFE

The life sciences industry — including research and testing, pharmaceutical and medical device manufacturing, biotechnology and agricultural feedstocks — directly employed about 71,000 Texans in 2008. In that year, THBI reports that the industry directly or indirectly supported 236,000 jobs with wages of about \$31 billion.

Although North Texas and the Gulf Coast region together account for 72 percent of the state’s life sciences jobs, West Texas is gaining momentum. The region’s employment in the life sciences has risen by 16 percent since 2003, to about 3,500 jobs, a rate that outpaced job growth in the nation and the state as a whole. Research and testing activities

REGIONAL PATTERNS

North Texas leads the state’s regions in life-sciences employment, but the Rio Grande region experienced the biggest percentage growth between 2003 and 2009.



Source: Texas Healthcare & Bioscience Institute

A Sense of Relief

Tax change eases burden on some Texas businesses.

represent more than half of the region's life science jobs. That sector's total employment has risen by nearly 50 percent over the past five years.

PROSPEROUS PARTNERSHIPS

A number of Texas universities are partnering with private industry to spur research and commercial development. In Dallas, for instance, the University of Texas Southwestern Medical Center is building a 500,000 square-foot Bio-Center, an industrial park intended to attract biotech companies to North Texas.

"Ninety-five percent of biotechnology companies are founded on university-based inventions," says Dr. Dennis Stone, vice president for technology development at UT Southwestern, "so it makes eminent sense to have the development center in immediate proximity to the scientists who are creating new technologies."

In Abilene, DCOA and city leaders see biotech research and commercial development as a way to diversify the area's economy. With TTUHSC, they have created the Abilene Life Sciences Accelerator (ALSA), a 22,000 square-foot biotech company incubator. Scheduled to open in December, it will allow fledgling companies to lease laboratory space and share research equipment to defray their startup costs.

"It doesn't matter how good the science is if it can't get out of the laboratory and into the marketplace," Burdine says.

Tenants will license discoveries made at the health sciences center and other universities for product development. ALSA's first tenant, Receptor Logic, expects to create 40 new research jobs with average annual salaries of \$50,000 to \$60,000. At full capacity, ALSA should generate a total of 150 jobs with an annual payroll of \$9 to \$13 million.

CONTINUED ON PAGE 7

New legislation will grant tax relief to thousands of small businesses in Texas.

The 2007 Texas Legislature crafted a new franchise tax law that not only expanded the types of businesses required to pay the tax, but also required existing taxpayers to learn a new method for calculating their liability. The revised tax, often called the "margins tax," is generally based on the difference between a business's total revenue and either its cost to produce goods sold or its compensation expenses (but not both). The changes were made in response to anticipated increases in state educational spending, the result of local school property tax relief passed in the same year.

This year, the Legislature revised the tax again, to ease the financial and paperwork burden it placed on many smaller businesses. The new law more than triples the small-business franchise tax exemption, from \$300,000 in total annual revenues to \$1 million. This will exempt more than 130,000 Texas businesses from the tax, including almost 40,000 that had to pay the tax in 2008 and 2009.

CHARTING COLLECTIONS

A slowing economy has kept franchise tax collections from reaching the levels the tax change was initially expected to yield.

Years	Collections (in billions)
2007*	\$3.1
2008	\$4.5
2009	\$4.3**
2010	\$4.4**
2011	\$4.5**

* Last year before tax change

** Projected collections

Source: Texas Comptroller of Public Accounts

"This relief gives the state's leading employment sector, small business, an opportunity for savings in these tough economic times," says State Rep. Rene Oliveira, the bill's author and chairman of the House Ways and Means Committee.

KEEPING YOUR SHIRT

Texas' strong reputation for business-friendliness recently earned it the top spot in *Directorship* magazine's "Best States for Business" list. The franchise tax change should help further the state's reputation, particularly among small businesses trying to gain footholds in today's economy.

"If you look at small business in Texas, this is a huge break for [them]," says Dave Vinyard, owner of Briscoe Hall, a Kerrville-based advertising agency.

Even on a fast-tracked plan of 15 to 18 months until profitability, a new business still will operate in the red for almost two years, Vinyard says. Under the old plan, the \$300,000 revenue exemption would make it extremely difficult to survive, he says.

"Let's say you do between \$300,000 and \$500,000 [annually] in the first two years. That tax still causes you to lose your shirt," says Vinyard.

Vinyard has been a vocal proponent of the change, even though his own business's revenue will exceed \$1 million this year. He says it gives owners and employees alike a chance to succeed, which is what they need. "This gives small businesses an even shot at coming out of this recession and surviving," he says. **FN**

More information on the Texas franchise tax is available at www.window.state.tx.us/taxinfo/franchise/index.html.



Turning Into a Skid

Texas auto dealers take a rough ride.

By the beginning of 2009, the American automobile industry was against the ropes. Tightening credit markets, increased foreign competition and global economic fallout had severely crippled car manufacturers and dealerships. The economic shockwaves are still being felt, and auto dealers across Texas are responding accordingly.

FEELING THE PINCH

In May 2009, Chrysler announced it would not renew the contracts of 50 Texas auto dealerships, as part of a move to eliminate 789 dealers nationwide. General Motors, facing a sharp decline in sales, filed for Chapter 11 bankruptcy protection. GM's Arlington assembly



MOVING IRON

The total net value of Texas auto sales has fallen in recent years, due at least in part to a greater number of lower-priced used vehicles in the product mix.

Texas Auto Sales	Auto Sales Net Value (Millions)
2007	\$48,500.6
2008	44,442.4
January 2009	3,022.6
February 2009	2,923.8
March 2009	2,892.3
April 2009	2,501.8
May 2009	2,591.1

Source: Texas Comptroller of Public Accounts

plant, which employs about 2,500 workers and is the company's only plant still building full-sized SUVs, began a nine-week shutdown but appeared otherwise relatively unscathed from the fallout.

Toyota's San Antonio plant, which employs about 2,000 workers and produces the company's popular Tundra pickup truck, has adopted a number of cost-saving strategies, among them slowing vehicle production to avoid layoffs [see "Promising Stability," May 2009 *Fiscal Notes*].

"Last May, I sold 27 cars, and this May I sold 18," says George Insuaste, Internet sales manager at Randall Reed's Prestige Ford Lincoln Mercury in Garland. "And I feel blessed to have sold that many. We definitely feel it."

In Texas, average transaction prices for new cars fell by 10.4 percent from June 2008 to June 2009, to \$23,502, according to Comptroller data.

And that shortfall is affecting the state's coffers. Motor vehicle sales tax collections from January through June 2009 were down 24.2 percent from the same period in 2008.

According to the New Car Dealers Association (NCDA) of Metropolitan Dallas, Texas auto sellers are finding some relief in the fact that the state hasn't suffered foreclosure rates as badly as many other states, and has been somewhat sheltered from the

downturn by its diverse economy and productive work force.

Given the financial crunch, however, loans for new cars have become increasingly difficult to obtain, especially for less-qualified buyers.

NEW DEAL FOR OLD CARS

In response, many new-car dealers have retooled their sales strategies to boost used car sales. While the used-to-new car sales ratio used to be roughly one to one, it's now about three to one, according to NCDA.

That's a bitter pill for many dealers, considering that it can take two used car sales to generate the revenue of a single new car. And the shift has new-car dealers moving into direct competition with existing, often smaller used-car dealers.

Jeff Martin, director of the Texas Independent Automobile Dealers Association, which represents used-car dealers across the state, says many of them are feeling the pinch. As new-car dealers focus more on used cars, competition for these vehicles has increased.

"There are fewer vehicles



“There are fewer vehicles circulating because new-car dealers are also increasing their inventories of used cars.”

— Jeff Martin, Director, Texas Independent Automobile Dealers Association

circulating because new-car dealers are also increasing their inventories of used cars,” he says.

And even for used cars, finding financing can be difficult.

“One of the biggest problems for us right now is the lending market,” Martin says. “When the credit market tightens, it makes it hard for the buyer to make the purchase and difficult for the dealer to bring in the dollars.”

As a result, many dealers are shifting their operations to include the full scope of financing, warranties and service, all of which can increase dealer revenues. Now, “a high percentage of our consumers finance through the dealers,” says Martin.

But tough times may lead to some positive results.

“We had record turnout at our convention this year,” Martin says. “That’s usually an indicator that dealers are creating and looking for new ideas, which is ultimately good for our business and our customers.” **FN**

As this issue went to press, the federal “cash for clunkers” program appeared to be boosting auto sales throughout the U.S. Read more about it at www.FiscalNotes.com.

CONTINUED FROM PAGE 5

GROWING THE FUTURE

To continue its biotech initiative, Abilene has expanded its training and educational options. In 2008, the Abilene Independent School District opened a medical magnet high school on the campus of Hardin-Simmons University. McMurry University will begin offering a four-year degree in the biomedical sciences in fall 2009. And the Texas Higher Education Coordinating Board recently approved a two-year biotechnology technician associate degree to be offered by Cisco College.

These moves follow TTUHSC’s recent expansion of its School of Pharmacy in Abilene, which now has a 40,000 square-foot campus. By the start of the 2010-2011 academic year, Abilene should be home to 160 pharmacy students.

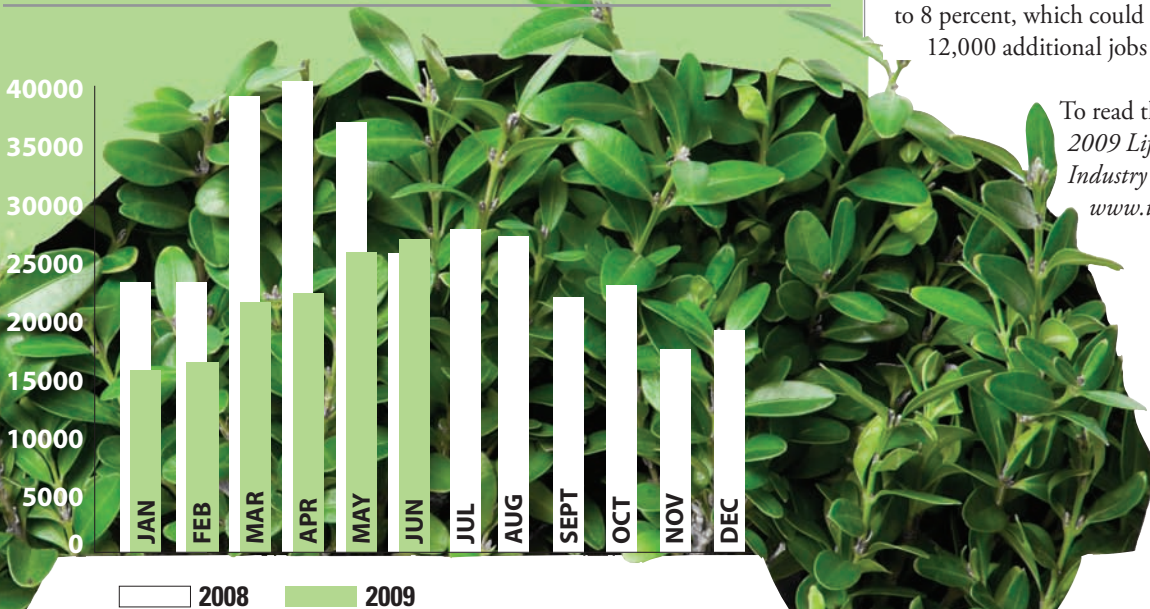
The future of the life sciences in Texas looks promising, with a projected increase of 12 percent or 8,300 jobs over the next five years. Today, the state accounts for 5 percent of the life science-related jobs in the U.S. And according to THBI, a \$3 billion cancer initiative approved by Texas voters in 2007 should increase the state’s share of U.S. research and development funding from 7 percent to 8 percent, which could translate to 12,000 additional jobs for Texas. **FN**

To read the full 2009 Life Sciences Industry Profile, visit www.thbi.com.

ROCKY ROAD FOR HYBRIDS

U.S. sales of hybrid cars took a major hit in late 2008, due to tightening credit markets, declining gas prices and seasonal market fluctuations, but have recovered somewhat in 2009.

TOTAL REPORTED U.S. HYBRID AUTOMOBILE SALES BY MONTH



Legend: 2008 (white bar), 2009 (green bar)

Source: Green Car Congress

New Help for Higher Ed



Tier 1 schools attract the world's most talented students and are significant economic assets in their own right.

CONTINUED FROM PAGE 1

nation's foremost research institutions — those that dominate in factors such as research funding, endowment assets and doctorates awarded.

One common yardstick for Tier 1 status is membership in the Association of American Universities (AAU), a group of 62 "preeminent" public and private research institutions in the U.S. and Canada. Texas has three of these — the University of Texas at Austin (UT-Austin), Texas A&M and Rice University. California, by contrast, has nine AAU-member universities, while New York has seven.

Tier 1 schools attract the world's most talented students, and are significant economic assets in their own right, spinning off companies and playing a midwife role in the development of technology-based industrial clusters. And if Texas students can't find a berth at one of our Tier 1 schools, they may leave the state — never to return.

"Students tend to stay where they go to college," says Guy Bailey, president of Texas Tech University. "When they leave

Texas, looking for opportunities to attend Tier 1 universities, our chances of getting that talent back aren't nearly as good."

House Bill 51 contains several initiatives designed both to strengthen the state's existing public Tier 1 universities and to develop Tier 1 status at seven "emerging" research institutions — Texas Tech, the University of Houston, the University of North Texas in Denton and the UT institutions in Arlington, Dallas, San Antonio and El Paso.

"If some of our emerging research universities can become nationally ranked institutions, similar in status to A&M and UT-Austin, we'll keep a significantly larger percentage of our students here," Bailey says. "It's a great resource for keeping and expanding our talent pool."

HB 51 retools an existing state fund as the Research University Development Fund, providing it with \$126.2 million over the next biennium. This funding can go only to UT-Austin, Texas A&M, Texas Tech and the University of Houston; in subsequent years, however, the other five emerging research universities will be eligible to receive appropriations from the fund as well.

The new law also creates a Texas Research Incentive Program (TRIP) with \$50 million in funding over the next two years. These funds will be used to match private gifts to any of the seven emerging research universities.

"The TRIP fund will be extremely useful to us in helping us entice private donors — it provides leverage," Bailey says. "We expect a significant increase in donations for research."

Most importantly, perhaps, HB 51 will create a National Research University Fund, if Texas voters approve a constitutional amendment in November. This fund would receive income from about \$425 million representing the permanent endowment of the state's Higher Education Fund, which supports Texas' public institutions other than UT-Austin and Texas A&M.

To qualify for this funding, institutions would have to meet certain benchmarks (such as obtaining at least \$45 million annually in certain private and federal research funding). At present, none of the seven emerging institutions would be eligible — but that may change if the other HB 51 initiatives pay off.

MORE GRANTS

The Legislature also took steps to maintain the affordability of college. Texas' primary grant program for college students, the Toward EXcellence, Access & Success (TEXAS) Grants, provides financial aid to Texas residents enrolled in the state's public colleges and universities. The program received a significant funding boost for fiscal 2010 and 2011. TEXAS Grant funding will rise to \$614.3 million over the next two years, 44 percent more than in the previous biennium.

According to the Texas Higher Education Coordinating Board (THECB), the TEXAS Grant program provided about 82,400 students with \$199.6 million in financial assistance in 2008. THECB estimates the funding boost will allow the program to serve about 104,000 students for the next two years, 21,660 more than in the previous biennium.

NEW UNIVERSITIES

Other 2009 legislation created three new Texas universities from institutions previously affiliated with other schools.

The new institutions include Texas A&M-Central Texas and Texas A&M-San Antonio, formerly "system centers" of Tarleton State University and Texas A&M-Kingsville, respectively; and the University of North Texas at Dallas, formerly part of the University of North Texas at Denton.

Their new status qualifies these schools to issue revenue bonds to support new



Guy Bailey, President, Texas Tech University



John Ellis Price, Vice-Chancellor and President Designate, University of North Texas at Dallas

construction and other infrastructure improvements. The legislation has, for instance, “cleared the way for the construction of a second building on the University of North Texas Dallas campus,” says John Ellis Price, vice-chancellor and president designate of the new institution. “UNT-Dallas will begin enrolling freshmen in 2010, and we have desperately needed more space. “Our current student population of 2,300 is difficult to house in our single

building,” Price says. “Adding 100,000 square feet will allow us to offer science curricula in state-of-the-art laboratories and classrooms.”

AID FOR WORK FORCE TRAINING

The Legislature also acted to help remedy Texas’ growing shortage of skilled technical workers — specialists it will need to flourish in a global economy increasingly dominated by information technology and service industries.

A new \$25 million program, based on a proposal put forward in the 2008 Comptroller report *Texas Works*, will create three new state funds to encourage job training for students entering high-demand occupations in technical

fields and emerging industries. The Comptroller’s office will administer the funds under the collective program title the *Every Chance Funds*.

The *Every Chance Career and Technical Scholarship Fund* will provide scholarships for students in career and technical training programs at Texas public community colleges and technical schools. It will have \$5 million to disburse in fiscal 2010 and 2011.

The *Every Chance Launchpad Fund* will provide grants to Texas nonprofit organizations that offer programs that prepare high school students for technical occupations such as welding,

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TEXAS Grant funding will rise by 44 percent during the next two years.

MORE MONEY FOR COLLEGE

The Texas Higher Education Coordinating Board estimates that additional funding for the TEXAS Grant program will allow it to serve about 21,660 more Texas students during the 2010-2011 biennium.

TEXAS GRANT AWARDS

Fiscal Year	2000	2001	2002	2003	2004	2005	2006*	2007*	2008*	2009**	2010**	2011**
Number of Students Served	10,865	17,395	45,722	68,555	64,108	60,130	61,057	52,562	54,448	60,303	70,463	70,104
Amount Awarded (in millions)	\$19.7	\$34.6	\$101.9	\$164.5	\$157.3	\$167.3	\$186.1	\$175.0	\$199.6	\$231.4	\$285.7	\$329.0

* Includes Texas Equalization Grant funds used for TEXAS Grant continuing students attending independent colleges and universities. A 2005 legislative change made such students ineligible for TEXAS Grants.

** Estimated.

Winds of Change

Financing a comeback for Galveston

Hurricane Ike, the third-costliest Atlantic hurricane in American history, caused \$24 billion in damage and claimed 192 lives, 112 of them in the U.S.

The storm nearly wiped out Galveston, both physically and financially, and devastated surrounding areas as well. Beaches and buildings were washed away and the region's tourism industry all but shut down.

The 2009 Texas Legislature responded with more than \$347 million in appropriations to assist disaster recovery along the Gulf Coast, as well as \$2.5 billion in bonds to fund the Texas Windstorm Insurance Association (TWIA), the storm-damage insurer of last resort for many coastal property owners.

UTMB reports that the Legislature appropriated \$566.5 million in general revenue for the institution for fiscal 2010 and 2011, nearly \$109 million more than in the previous biennium. A supplemental appropriations bill provided an additional \$150 million for Ike-related mitigation and repairs. The Legislature also approved \$150 million in tuition revenue bonds to build a new hospital building at the nationally recognized medical school and trauma center.

UTMB also will receive \$450 million from the Federal Emergency Management Administration (FEMA), \$50 million in federal Social Service Block Grant funds, \$130 million in insurance payments and a \$200 million contribution from the nonprofit Sealy & Smith Foundation. In all, the institution expects to have about \$1.4 billion available for recovery and expansion.

Meanwhile, UTMB reopened a full-service emergency room on Aug. 1 and expects to complete the new hospital as soon as 2011.

According to Dr. Ben Raimer, UTMB senior vice president of health policy and legislative affairs, the new building will be designed along the lines of the recently opened \$180 million Galveston National Laboratory research facility, which sustained minimal damage in the storm.

Now comes the chance to prove to the Legislature that the state's money is being well spent.

"We want to make them happy, to show them they have a demonstrable return on their investment," Raimer says. "There's a saying that pigs get fat, hogs get slaughtered. We don't want to be a hog. The Legislature's been very kind to us."

BACKING GALVESTON'S SCHOOLS

Galveston Independent School District (GISD) lost three of its 13 campuses, with damage estimated at \$65 million.

Forty of its 45 school buses were inoperable.

Yet its students missed only 18 days of school, as officials scrambled to set up makeshift facilities.

Initial rebuilding efforts were set back because GISD's campuses were insured more for wind than water damage, yet flooding proved to be the main cause of destruction. A \$12 million legislative appropriation will help make up the funding shortfall.

GISD — and other districts affected by the storm — also got a break in the calculation of their normal state funding. A district's average daily attendance (ADA) is used to determine how much money it receives. For the 2009-10 school year, Galveston will be allowed to use its pre-Ike enrollment figure of 7,800 instead of its current ADA of about 5,900.

Federal sources helped as well. FEMA reimburses local institutions for 75 percent of documented losses after insurance claims are paid, with certain conditions. "We're now required by FEMA to take all measures to mitigate a future event," says Arnold Proctor, GISD's assistant superintendent.

Some complications have emerged in the rebuilding effort. The city's Central Middle School, which had up to eight feet of water, is eligible for recognition



Dr. Ben Raimer, UTMB Senior Vice President of Health Policy and Legislative Affairs

FIXING UTMB

The University of Texas Medical Branch (UTMB), which pumps about \$3 billion into the area's economy each year, was devastated. The institution cut 2,000 jobs in the immediate aftermath of the storm.

But palm trees were still swaying from Ike's winds when other storm clouds began brewing. Critics began urging that UTMB's highly regarded hospital be moved permanently out of harm's way.

UTMB supporters, meanwhile, pleaded that the 550-bed facility, one of only three Level One trauma centers in Southeast Texas, stay where it is — rebuilt, made stronger and more hurricane-resistant. In their view, it was worth the investment in time, faith and money.

The Legislature listened to both sides — and voted to rebuild.



"There's a saying that pigs get fat, hogs get slaughtered. We don't want to be a hog. The Legislature's been very kind to us."
— Ben Raimer, UTMB Vice President for Health Policy and Legislative Affairs.



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as a historic site, making rebuilding requirements more restrictive.

“We need to treat it as a historic site instead of a building we can bulldoze and start over,” Proctor says, noting that the district is considering putting floodgates around the campus.

“We won’t be back to ‘normal’ ever,” Proctor says. “But we’ll open school in August 2010 with everything we need, and grow from there.”

INSURING INSURANCE

Other funding for Galveston included \$10.7 million for Texas A&M–Galveston and \$39 million for beach restoration that, with matching federal funds, will grow to \$104 million.

One key piece of legislation, however, is aimed at future disasters — and preventing them from gutting the state’s insurance reserves and placing stifling financial burdens on policyholders.

Before Ike, the Texas Windstorm Insurance Association relied primarily on a \$470 million trust to make settlements. Ike wiped it out.

The 2009 Legislature, however, has authorized TWIA to sell \$2.5 billion in bonds to fund its operations. This will

relieve the funding crunch — for the moment, at any rate.

“This avoided much higher premiums for policyholders,” says Jim Oliver, TWIA general manager. “But if there’s more substantial storm activity similar to Ike, the Legislature may have to act again.”

Oliver says the new legislation also limits any increase in premiums to 2.8 percent.

THE STORM NEXT TIME

Galveston is still filled with the sounds of power saws and hammers. But the thought of what may lurk beyond the horizon in the Gulf of Mexico is never too far away.

It’s impossible to predict where or with what force storms will hit until they form, says Dennis Feltgen, public affairs officer and meteorologist for the National Oceanic and Atmospheric Administration. He adds that the fact that three of the top four costliest hurricanes in U.S. history have occurred since 2005 can be attributed to increased population and construction along the coast, not more powerful storms. **FN**

For more information on UTMB, visit www.utmb.edu.

Higher Ed cont.

CONTINUED FROM PAGE 9

computer support, nursing and allied health professions. The fund will have \$10 million to disburse in fiscal 2010 and 2011.

Finally, the *Every Chance Job Building Fund* will provide grants to Texas public community colleges and technical schools to help them purchase the cutting-edge equipment and facility upgrades needed for high-demand career and technical education programs. This fund, too, will have \$10 million available in fiscal 2010 and 2011.

“We were thrilled to see this program emerge,” says Don A. Perry, executive district director of Work Force Education and Compliance for the Dallas County Community College District. “The difficulty always with starting new programs is having sufficient funds up front to acquire the equipment needed to teach new and emerging technologies. Even some of the more traditional industrial trades areas, such as welding and machining, call for increasingly complex — and highly expensive — equipment to produce highly competitive individuals.

“And the scholarship funds will help give more Texas students the skills they’ll need to support both themselves and Texas’ economic growth,” he says. **FN**

To learn more about financial aid for college in Texas, please visit the Comptroller’s Every Chance, Every Texan Web site at www.EveryChanceEveryTexan.org.



ON THE WEB

The 2009 Legislature also approved new laws to combat juvenile obesity in Texas. For more information on this legislation, visit www.FiscalNotes.com.

Brief Bytes

THE TEXAPLEX FLEXES JOB MUSCLE



Geography and job growth link the cities of Houston, San Antonio, Dallas-Fort Worth and Austin

into what's been termed "The Texaplex Triangle." Home to four out of five Texans, it enjoys one of the nation's most vibrant regional economies.

These cities comprised the top five in *Forbes'* recent list of "Best Big Cities For Jobs," with the magazine citing healthy energy industries, affordable housing and low taxes. A recent video produced by real estate broker David Winans highlights the Texaplex Triangle's prowess, and has become a viral hit on YouTube.

The positive jobs news isn't confined to the Triangle, though. Eight of *Forbes'* top 20 cities overall are Texas cities, including Odessa, which ranked as the best small city for jobs in the nation, and the McAllen/Edinburg/Mission area, which topped the list of mid-sized communities.

To see *Forbes'* complete list of Best Cities for Jobs, visit www.forbes.com.

(David Bloom)

ON THE MONEY:

Stimulus to the Rescue

The American Recovery and Reinvestment Act, better known as the federal "stimulus," helped Texas lawmakers wrap up the 2009 legislative session without drastic cuts in state spending — but crafting the 2011 budget may be a lot tougher. To find out why, visit *Fiscal Notes* online at www.FiscalNotes.com.



WORK STOPPED, LEARNING BEGAN

When San Angelo's Levi Strauss manufacturing plant closed in January 1998, more than 500 jobs went with it, and a cold, empty building remained. But it didn't stay that way for long.

Today, it's home base for the West Texas Training Center (W TTC), offering meeting and classroom facilities for a variety of corporate and educational users. Companies such as Goodyear, Ethicon, Multi-Chem and others have used the facility, and more than 40,000 people have passed through its doors for informational and coursework sessions.

Howard College also uses the facility, offering coursework in business, nursing, surgical and radiological technology, criminal justice and more through an on-site campus. The college's enrollment rose to more than 2,000 in fall 2008, and more than 700 high school students take classes at Howard's W TTC campus as well.

All this activity has helped to ease the memory of the plant's closing.

"When the Levi's plant closed, it was hard on the San Angelo economy," says Shawn Lewis, director of development services for the city of San Angelo. "But we really feel like W TTC and Howard have filled a gap in job creation. And maybe more importantly, it has let us expand our job training opportunities."

The W TTC now occupies more than 100,000 square feet of space, allowing educational and work training opportunities to expand as well.

"There's obviously a lot of technical training there, but with Howard, you also have a wide degree of degree programs, and those offerings continue to expand," says Lewis.

For more information on the W TTC, visit its Web site at www.wttcsa.org.

(Clint Shields)



Dallas area commuters are going green. Dallas Area Rapid Transit (DART) will soon open the first three-mile stretch of its \$1.8 billion Green Line project, with another 25 miles slated to be up and running just in time for the December 2010 holiday shopping season.

The Green Line's first phase, which features four stations, connects Dallas' downtown and popular destinations such as American Airlines Center with neighborhoods to the city's Southeast, bringing commuter trains back to areas that were served by four rail lines 50 years ago. By 2013, DART will double the size of its rail network to more than 90 miles. In addition, the Denton County Transit Authority's new 21-mile A-Train rail system will connect to the Green Line in Carrollton by the end of 2010.

The Green Line is the longest light rail

project currently being built in North America, and has already created more than 2,000 construction jobs in the Dallas area. Several condominium/apartment projects and other transit-oriented development are springing up along the route.

The Green Line is expected to arrive on time and under budget. DART anticipates that, by taking drivers off the roads and putting them into railcars, 350 fewer tons of pollutant emissions will clog Dallas' air every year. According to Mark Ball, DART spokesperson, a DART railcar generates the same emissions as an electric golf cart — next to nothing.



For more information on DART's Green Line project, visit www.dart.org/about/expansion/green_line.asp.

(David Bloom)

DALLAS TOP OF THE CLASS

Two Dallas schools topped *Newsweek's* list of the nation's best public high schools.

The Dallas Independent School District's School for the Talented and Gifted made the top of the list, while its School of Science and Engineering ranked second.

The list ranks 13,000 public schools in the U.S. and is based on the number of Advanced Placement, International Baccalaureate and/or Cambridge tests taken by all students at a school divided by its number of graduating students.

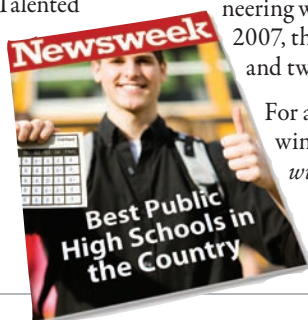
"It's humbling," says Michael Satarino, principal of the School for the Talented and Gifted. "And very gratifying. People ask me all the time how we do it.

"It's a simple formula," he says. "You hire teachers who are passionate about teaching to teach students who are passionate about learning,

and who are supported by parents who are passionate about that process being successful. If you have all sides of that triangle being equal, you're going to have a very good school."

Two other Texas schools ranked among the top 20 in *Newsweek's* list. North Hills Preparatory in Irving ranked ninth and Communications Arts High School in San Antonio ranked 17th.

In 2008, the School for the Talented and Gifted ranked second on the list, while the School of Science and Engineering was fourth nationally. In 2007, they ranked number one and two, respectively.



For a complete list of all winning schools, visit www.newsweek.com.

(Karen Hudgins)

CLEANER, QUIETER BUSES

Environmental and fiscal benefits dovetailed neatly for Seguin Independent School District when it chose new school buses to expand and modernize its fleet.

Transportation director James Pizana says 21 propane-powered buses went into service in March, offering cleaner, quieter and cooler transportation for students. The financial benefits were obvious, says Pizana, pointing to \$303,000 in federal and state rebates as well as a 50-cent-per-gallon rebate from the Internal Revenue Service on fuel purchases.

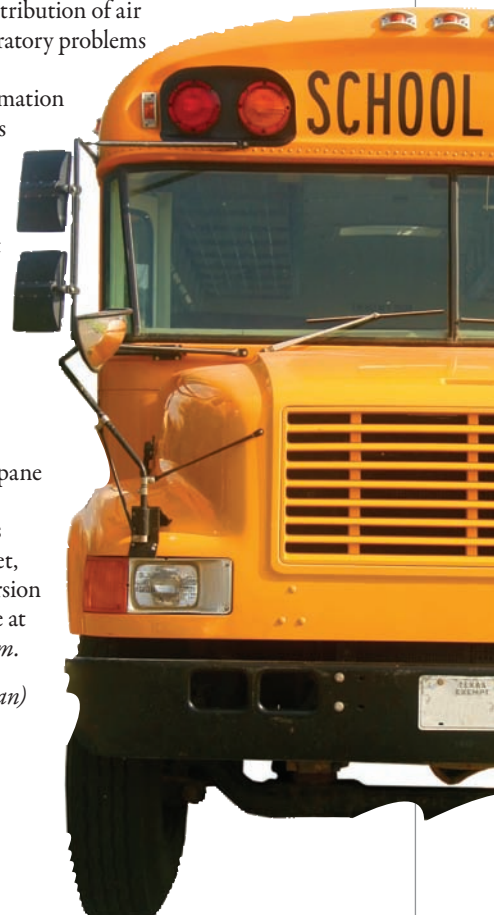
Pizana says Seguin ISD plans to buy five more propane buses this fall and encourages other school districts to do likewise. Several districts have contacted Pizana as they consider whether to buy diesel or propane-powered buses.

"The rebates make it a great opportunity for districts to jump on board," he says. "It is good for the environment, but it is good for the kids, too," he says, citing the contribution of air pollutants to respiratory problems among children.

For more information about Seguin ISD's propane-powered buses, contact James Pizana, director of student transportation, at (830) 372-4420, or by e-mail at jpizana@seguin.k12.tx.us.

Find out why fuel incentives and propane technology make Seguin's new buses easier on the budget, in an expanded version of this story online at www.fiscalnotes.com.

(Gerard MacCrossan)

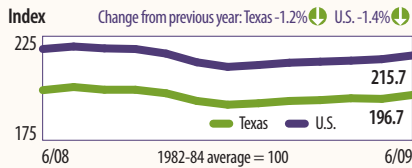


Texas by the Numbers

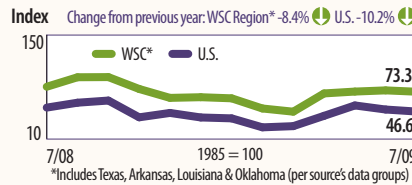
Key Texas Economic Indicators

Between June 2008 and June 2009, the U.S. economy shed about 5.7 million jobs, a 4.1 percent decline. Texas lost 266,300 jobs between June 2008 and June 2009, a 2.5 percent decrease in nonfarm employment. In June 2009, 10.4 million Texans were employed, 40,600 fewer than during May. Over the last year, Texas added jobs in educational and health services, leisure and hospitality, and government.

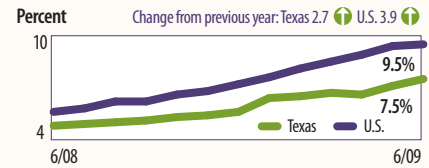
Consumer Price Index



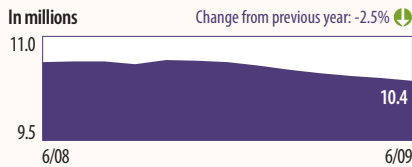
Consumer Confidence Index



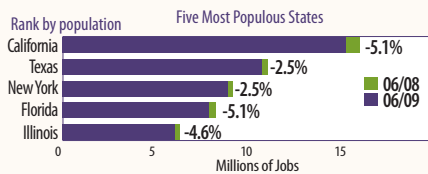
Unemployment Rate



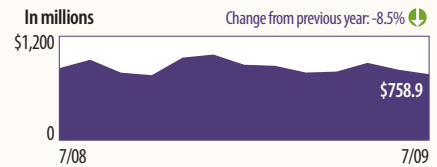
Nonfarm Employment



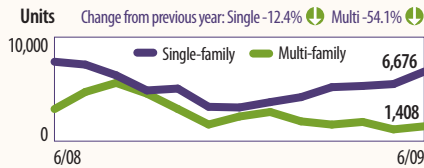
Change in Nonfarm Employment



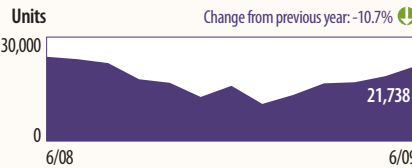
State Sales Tax Collections, Retail Establishments



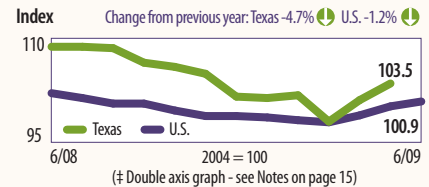
Housing Permits



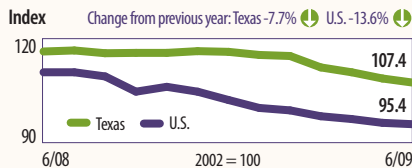
Existing Single-Family Home Sales



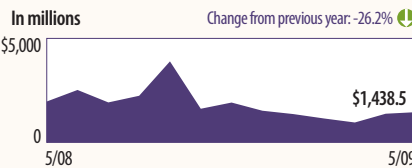
Leading Economic Indicators Index



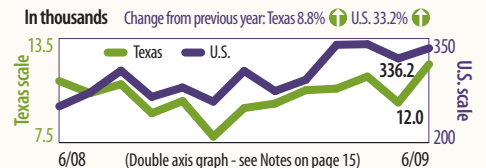
Industrial Production Index



Contract Value, Non-Residential Building Construction



Mortgage Foreclosures



Texas Production and Consumption Indicators

Date	Crude Oil Production	Natural Gas Production	Active Oil & Gas Drilling Rigs	Motor Fuels Taxed		Median Sale Price, Existing Single-family Home	Auto Sales	Cigarettes Taxed
	Value (Millions)	Value (Millions)		Gasoline (Millions of Gallons)	Diesel (Millions of Gallons)	Dollars	Net Value (Millions)	Packages of 20 (Millions)
2006	\$19,657.5	\$19,852.1	746	11,372.8	3,731.6	\$143,100	\$45,756.2	1,280.2
2007	21,850.3	22,968.4	834	11,624.8	3,886.9	147,500	48,500.6	1,085.8
May-08	3,573.5	3,442.6	906	975.8	343.1	150,600	3,791.7	98.3
Jun-08	3,394.2	3,661.8	923	1,018.3	331.5	154,700	4,051.0	89.6
Jul-08	3,518.2	3,972.4	920	954.0	321.3	152,900	4,148.3	93.3
Aug-08	3,044.3	2,855.1	934	982.3	342.5	151,500	3,829.4	80.9
Sept-08	2,599.1	2,154.3	946	1,054.7	248.6	144,800	3,727.2	88.9
Oct-08	2,056.6	2,039.3	925	852.3	377.9	142,300	3,317.6	98.6
Nov-08	1,500.9	1,620.2	899	1,018.0	343.5	137,200	2,862.9	85.3
Dec-08	1,018.1	1,764.2	826	963.2	283.5	140,600	2,941.7	99.3
Jan-09	1,006.1	1,709.8	701	1,023.2	294.7	131,800	3,022.6	73.0
Feb-09	834.8	1,089.2	574	965.3	291.5	138,100	2,923.8	77.0
Mar-09	1,155.3	1,073.3	445	916.6	281.8	139,600	2,892.3	86.4
Apr-09	1,170.3	1,013.1	393	1,019.0	305.7	142,700	2,501.8	77.5
May-09	1,396.6	973.5	347	989.9	289.8	149,000	2,591.1	77.8
Jun-09	1,711.8		329	1,026.3	291.9	155,000	3,111.4	82.7
Jul-09			342	1,013.6	293.2			85.6

June Cash Condition¹

(Amounts in millions)	General Revenue	Other Funds	Total Cash
Beginning Balance June 1, 2009	\$10,087.8	\$23,234.5	\$33,322.3
Revenue/Expenditures			
Revenue	4,323.9	3,135.3	7,459.2
Expenditures	6,044.9	2,703.8	8,748.7
Net Income (outgo)	\$-1,721.0	\$431.5	\$-1,289.5
Net Interfund Transfers and Investment Transactions	\$-897.1	\$1,199.7	\$302.6
Total Transactions	-2,618.1	1,631.2	-986.9
End Cash Balance June 30, 2009²	\$7,469.7	\$24,865.7	\$32,335.4

¹ Cash stated is from the Comptroller's Uniform Statewide Accounting System (USAS) and will vary from the amounts reflected in the cash accounts of the Treasury Operations Division of the Comptroller's office due to timing differences. Net amounts shown (less refunds) exclude funds that are authorized to be held outside the State Treasury and are not processed through USAS. Suspense and Trust Funds are included, as are unemployment compensation trust funds collected by the state but held in the Federal Treasury. Totals may not add due to rounding.

² The ending General Revenue Fund balance includes \$3.3 billion derived from the sale of cash management notes.

State Revenue/All Funds¹

(Amounts in millions)	Monthly Revenue	Fiscal Year-to-Date	% Change YTD/YTD
	June 2009	Revenue	
Tax Collections by Major Tax			
Sales Tax	\$1,579.4	\$17,600.4	-0.7%
Oil Production Tax	65.8	738.9	-34.0
Natural Gas Production Tax	50.1	1,298.7	-36.3
Motor Fuel Taxes	258.4	2,517.1	-2.9
Motor Vehicle Sales Tax	216.1	2,150.7	-22.3
Franchise Tax	71.8	4,107.9	-3.9
Cigarette & Tobacco Taxes	125.8	1,246.9	4.3
Alcoholic Beverages Tax	70.2	664.1	2.3
Insurance Companies Tax	-17.4	742.8	-18.0
Utility Taxes ²	0.4	359.3	5.1
Inheritance Tax	0.1	2.7	-50.9
Hotel/Motel Tax	26.3	283.6	-5.8
Other Taxes ³	13.3	980.7	-0.3
Total Tax Collections	\$2,460.2	\$32,693.7	-6.3%
Revenue by Receipt Type			
Tax Collections	\$2,460.2	\$32,693.7	-6.3%
Federal Income	2,949.7	26,208.6	21.4
Interest and Investment Income	192.1	1,518.3	-37.8
Licenses, fees, permits, fines,	537.6	5,894.0	-34.1
Contributions to Employee Benefits	480.8	4,247.8	7.0
Sales of Goods and Services	31.6	351.1	-8.5
Land Income	52.3	700.5	-15.1
Net Lottery Proceeds ⁴	119.6	1,298.7	-2.9
Other Revenue Sources	635.2	6,600.6	12.5
Total Net Revenue	\$7,459.2	\$79,513.3	-0.9%

¹ Excludes revenues for funds that are authorized to be held outside the State Treasury and are not processed through USAS. Totals may not add due to rounding.

² Includes the utility, gas utility administration and public utility gross receipts taxes.

³ Includes the cement and sulphur taxes and other occupation and gross receipt taxes not separately identified.

⁴ Gross sales less retailer commissions and the smaller prizes paid by retailers.

Notes:

Crude oil and natural gas figures are net taxable values. Gasoline gallons include gasoline. Auto sale values are calculated from motor vehicle taxes collected on new and used vehicle sales. All figures are seasonally adjusted, except for sales tax collections; rigs; consumer price; housing permits/sales/prices; and consumer confidence. Figures are based on the most recent available data. Annual figures are for calendar years. († Double axis graphs: Graphs with two vertical axes show values for Texas on the left and values for the U.S. on the right. This method shows trends more clearly over the last year when data values are substantially different at state and national levels.)

Sources:

Key Texas Economic Indicators:
 Consumer Price Index, Change in Nonfarm Employment: U.S. Bureau of Labor Statistics
 Consumer Confidence Index: The Conference Board
 Leading Economic Indicators Index: Texas Comptroller of Public Accounts, The Conference Board
 Unemployment Rate: Texas Workforce Commission, U.S. Bureau of Labor Statistics
 Nonfarm Employment: Texas Workforce Commission
 State Sales Tax Collections, Retail Establishments: Texas Comptroller of Public Accounts
 Housing Permits, Existing Single-family Home Sales: The Real Estate Center at Texas A&M University

Industrial Production Index: Federal Reserve Bank of Dallas
 Contract Value, Non-Residential Building Construction: McGraw-Hill
 Mortgage Foreclosures: RealtyTrac

Texas Production and Consumption Indicators:
 Crude Oil, Natural Gas, Motor Fuels, Auto Sales, Cigarettes: Texas Comptroller of Public Accounts
 Active Oil & Gas Drilling Rigs: Baker-Hughes Incorporated
 Median Sale Price, Existing Single-family Home: The Real Estate Center at Texas A&M University

State Expenditures/All Funds¹

(Amounts in millions)	Monthly Expenditures	Fiscal Year-to-Date	% Change YTD/YTD
	June 2009	Expenditures	
By Object			
Salaries and Wages	\$815.1	\$8,744.8	5.6%
Employee Benefits/Teacher Retirement Contribution	777.5	7,465.3	6.0
Supplies and Materials	71.8	765.9	2.1
Other Expenditures	271.1	2,698.2	22.9
Public Assistance Payments	3,751.4	32,089.9	19.5
Intergovernmental Payments:			
Foundation School Program Grants	1,397.6	16,279.6	0.0
Other Public Education Grants	1,894.2	4,070.6	2.8
Grants to Higher Education	106.8	990.4	14.4
Other Grants	259.0	2,752.8	44.0
Travel	12.3	135.3	10.5
Professional Services and Fees	145.4	1,668.5	-0.4
Payment of Interest/Debt Service	45.2	723.4	11.0
Highway Construction and Maintenance	398.7	3,467.9	-21.1
Capital Outlay	37.8	381.6	1.1
Repairs and Maintenance	64.2	590.1	13.9
Communications and Utilities	38.3	354.9	-14.1
Rentals and Leases	20.8	230.6	9.9
Claims and Judgments	7.1	76.2	-15.5
Cost of Goods Sold	28.9	613.7	-10.8
Printing and Reproduction	3.2	40.2	10.3
Total Net Expenditures	\$8,748.7	\$84,140.1	8.8%
By Function			
General Government			
Executive	\$539.0	\$5,180.8	10.1
Legislative	11.6	116.6	14.0
Judicial	19.4	203.5	2.6
Subtotal	570.0	5,500.9	9.9
Health and Human Services	3,662.2	31,164.5	21.3
Public Safety and Corrections	426.0	4,302.5	23.9
Transportation	586.6	5,541.8	-14.5
Natural Resources/Recreational Services	154.4	1,728.4	4.4
Education	2,532.6	27,684.7	1.5
Regulatory Agencies	26.7	282.5	17.3
Employee Benefits	676.8	6,435.7	5.2
Debt Service—Interest	45.2	723.4	11.0
Capital Outlay	37.8	381.6	1.1
Lottery Winnings Paid ²	30.5	394.1	13.5
Total Net Expenditures	\$8,748.7	\$84,140.1	8.8%

¹ Excludes expenditures for funds that are authorized to be held outside the State Treasury and are not processed through USAS. Totals may not add due to rounding.

² Does not include payments made by retailers. Previously shown as "Other expenditures."

Some revenue and expenditure items have been reclassified, changing year-to-date totals. The ending cash balance is not affected because changes reflected in "total net revenues" and "total net expenditures" offset changes in "net interfund transfers and investments transactions" in the cash condition table.

Revenues and expenditures are reported for the most recent month available and as a running total for the current fiscal year-to-date. In addition, year-to-date figures are compared with the same period in the last fiscal year. These comparisons are reported as percentage changes, which may be positive or negative (shown by a minus sign).

Trust fund transactions are included within revenues and expenditures in the "all funds" presentations. Trust funds are not available to the state for general spending.

SUSAN COMBS
Texas Comptroller of Public Accounts



FISCAL NOTES is one of the ways the Comptroller's office strives to assist taxpayers and the people of Texas. The newsletter is a by-product of the Comptroller's constitutional responsibilities to monitor the state's economy and to estimate state government revenues.

FISCAL NOTES also provides a monthly summary of the financial statements for the State of Texas.

Articles and analysis appearing in **FISCAL NOTES** do not necessarily represent the policy or endorsement of the Texas Comptroller of Public Accounts. Space is devoted to a wide variety of topics of Texas interest and general government concern.

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Recovery
NEXT EXIT

TEXAS CITIES AMONG BEST FOR RECESSION RECOVERY

A diverse work force and heavy job growth in education and health care recently helped Texas make a strong showing in a *Forbes* magazine list of cities best able to recover from the recession.

1. Austin-Round Rock
2. Fayetteville-Springdale-Rodgers, AR
3. Boulder, CO
4. Huntsville, AL
5. San Antonio
6. Mobile, AL
7. Dallas-Fort Worth-Arlington
8. Washington, DC-Arlington-Alexandria, VA
9. McAllen-Edinburg-Mission
10. Seattle-Tacoma-Bellevue, WA

Source: www.Forbes.com