

2000% tax hike a threat

# Legislature in special session

**United Press International**  
AUSTIN — Lawmakers will convene a special session of the Legislature today to ward off a potential 2,000 percent increase in unemployment taxes and take advantage of an unexpected forum for pre-election politicking.

Some state leaders convinced Gov. Bill Clements that unless lawmakers acted before Oct. 1, a complicated formula used by the Texas Employment Commission would cause a 2,000 percent jump in unemployment compensation taxes paid by Texas employers.

House Speaker Bill Clayton said he was optimistic that the special session would last no longer than three days but was concerned about the possibility of the session turning into a "political battle ground."

The mere need for a special session and the specter of a tax increase are considered political liabilities for Clements. Supporters of his re-election opponent, Democrat Mark White, probably will use the session for attacks on the Clements administration.

"There's going to be people wanting to shoot at Clements

and there's going to be people wanting to shoot at everyone else," Clayton said. "I don't think he would have called the session unless he thought it was an emergency and I think it behooves everyone to get in here and take care of it before it becomes a political battleground."

All parties generally agree that a 2,000 percent increase in the state tax rate would generate revenues far exceeding the fund's needs. But unless lawmakers act before the formula is triggered, they will be constitutionally bound to collect the higher tax.

Under the TEC formula, for every \$5 million the fund drops below a statutory floor of \$225 million, employers' taxes increase 0.1 percent. The fund currently is well below \$225 million and could run dry by November or December if current unemployment persists.

To avoid the curtailment of benefit payments, Clements and other state officials proposed borrowing from a special federal reserve funded by nationwide unemployment taxes.

"This is a little bit different from an outright loan from the feds," Clayton said.

However, the Legislature almost surely will have to approve an increase in the state tax rate to keep the state compensation fund solvent and to provide enough revenue to repay the federal loan.

Texas employers now pay the lowest state unemployment taxes in the nation — .001 percent of the first \$6,000 earned by each employee. Seventy percent of Texas' employers pay an annual tax on each employee of only \$6, although some businesses with a history of layoffs pay higher rates.

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## Airline move denied

**United Press International**  
LOS ANGELES — A report of Continental Airlines' planned move to Houston was denied Monday by a spokesman for its parent corporation, Texas International Airlines.

The Daily Breeze of Torrance, Calif., reported Continental, based in Southern California for more than 20 years, was to move its headquarters to Houston later this year or early in 1983.

TI corporate spokesman denied any plans for a move.

The newspaper quoted Frank Lorenzo, chairman of Texas Air Corp., which won control of the Los Angeles-based Continental in 1981, as ready to announce the consolidation of TI and Continental.

Lorenzo and Continental President George Warde are expected to conduct a series of meetings with employees later this month to discuss the transfer, the newspaper said.

The newspaper quoted an unidentified Continental employee as saying that TI management already has substantially taken over head office functions at Continental.

Hicks said, however, there were no plans for a move or for changes in the corporate structure of Continental.

He said TI employees working at Continental's main office were part of routine changes in management.

Texas Air won control of Continental last year after an expensive and lengthy takeover fight, and shareholders approved in July the financial combination of the two companies, which have about \$295 million in long-term debt.

When the two companies combined schedules earlier this year, more than 1,000 connections were created in Houston. Texas International now has 71 departures daily and Continental has 31.

Continental employs about 9,000 and has laid off 2,000 since running into financial difficulties last year.

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